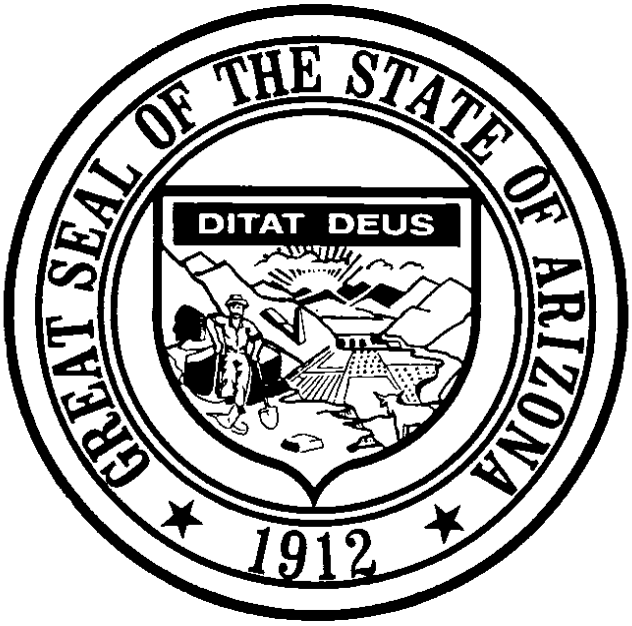
STATE OF ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2011



Janice K. Brewer
GOVERNOR

PREPARED BY
ARIZONA DEPARTMENT OF ADMINISTRATION
GENERAL ACCOUNTING OFFICE

STATE OF ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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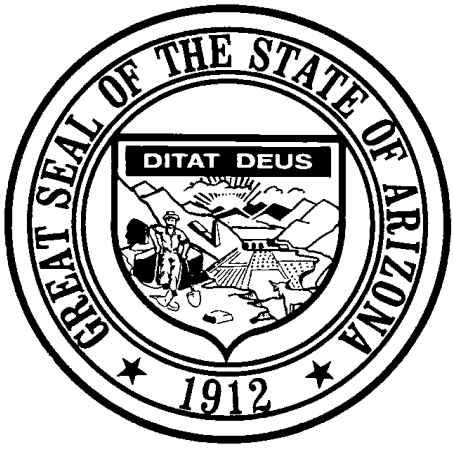
GREAT SEAL OF THE STATE OF ARIZONA
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INTRODUCTORY SECTION

INTRODUCTORY SECTION

Janice K. Brewer
Governor

Scott A. Smith
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE ¿ SUITE 401
PHOENIX, ARIZONA 85007

(602) 542-1500

February 10, 2012

The Honorable Janice K. Brewer,
Governor of the State of Arizona;
Members of the Legislature;
Rebecca White Berch, Chief Justice of the Supreme Court;
and Citizens and Taxpayers of the State of Arizona

Ladies and Gentlemen:

It is our pleasure to transmit to you the Comprehensive Annual Financial Report (CAFR) of the State of Arizona for the fiscal year ended June 30, 2011. Responsibility for the accuracy of data, as well as the completeness and fairness of presentation, including all disclosures, rests with the State's management. The data presented in this report, to the best of our knowledge and belief, is accurate in all material respects and is reported in a manner which fairly presents the financial position and results of operations of the major and non-major funds of the State. All disclosures needed for the reader to gain a reasonable understanding of the State's financial activities have been included.

U.S. generally accepted accounting principles (GAAP) require that management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the Independent Auditors' Report.

INTERNAL CONTROLS

The State is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the State are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with U.S. GAAP. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. In the opinion of management, the State's internal controls are adequate to provide reasonable assurance that these objectives are met.

INDEPENDENT AUDIT

In compliance with State statute, an annual financial audit of the State Entity is completed each year by the State of Arizona, Office of the Auditor General in conjunction with other audit firms. Their audit was conducted in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Their report on the basic financial statements has been included in the financial section of this report. In addition, ARS §41-1279.03 requires at least a biennial single audit by the Office of the Auditor General. The Single Audit will be issued as a separate report at a later date.

PROFILE OF THE GOVERNMENT

The State of Arizona was admitted to the Union as the 48th state in 1912. Arizona is the sixth largest state, with 113,998 square miles. Arizona is known for the Grand Canyon, one of the Seven Wonders of the World, and its cacti and other desert landscape. A number of national forests, four national parks, eighteen national monuments, and over 20 million acres of Native American reservations and tribal communities are located in Arizona.

The State has three branches of government: Executive, Legislative, and Judicial. The Executive branch is headed by a governor elected for a four-year term. Arizona's Legislative branch is bicameral, consisting of a thirty-member Senate and a sixty-member House of Representatives. Legislators are elected for two-year terms. The Judicial branch consists of the Arizona Supreme Court, Court of Appeals (with two divisions), superior courts, justice of the peace courts, and municipal courts. The superior courts, justice of the peace courts, and municipal courts are excluded from the State's reporting entity. The Supreme Court is the highest court in the State and is comprised of five justices. Article 6, Section 5 of the Arizona State Constitution describes the types of cases and matters handled by the Supreme Court.

The services provided by the State are administered through various agencies, departments, boards, commissions, councils, administrations, offices, and institutions of higher learning. These services include: (1) General Government, (2) Health and Welfare, (3) Inspection and Regulation, (4) Education, (5) Protection and Safety, (6) Transportation, and (7) Natural Resources.

FINANCIAL REPORTING ENTITY

The accompanying CAFR includes all funds of the State of Arizona (primary government), as well as its component units. Blended component units, although legally separate entities, are in substance, part of a government's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units are shown separately to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. Discretely presented component units prepared in accordance with the Governmental Accounting Standards Board (GASB) are reported in a separate column in the government-wide financial statements. Discretely presented component units prepared in accordance with the Financial Accounting Standards Board are presented as separate financial statements immediately following the government-wide financial statements to emphasize that they are prepared in accordance with accounting standards other than those promulgated by the GASB.

The criteria for inclusion in the reporting entity and presentation are defined by the Codification of Governmental Accounting and Financial Reporting Standards, issued by the GASB, (Section 2100). Note 1 of the Notes to the Financial Statements explains which component units are included in the Financial Reporting Entity of the State.

BUDGETARY CONTROLS

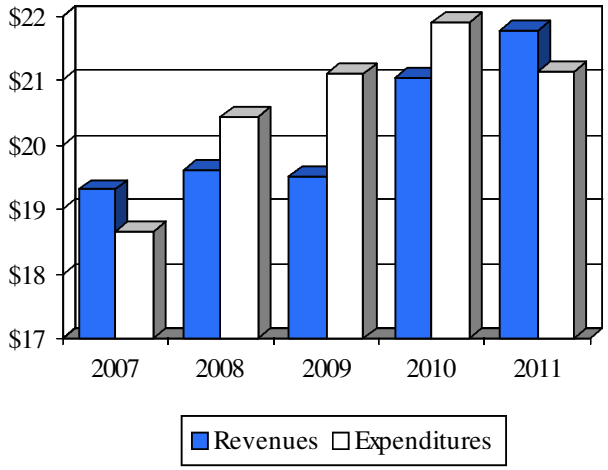
Budgetary control is maintained through legislative appropriation and the executive branch allotment process. The Governor is required to submit an annual budget to the Legislature. The budget is legally required to be adopted through passage of appropriation bills by the Legislature and approval by the Governor. The appropriated funds are controlled by the executive branch through an allotment process. This process generally allocates the appropriation into quarterly allotments by legal appropriation level. The State also maintains an encumbrance accounting system to further enhance budgetary control. Encumbered amounts generally lapse as of the end of the fiscal year, with the exception of capital outlay and other continuing appropriations. These appropriations and their encumbrances continue from year to year. The State's budgetary policies are explained in detail in the Required Supplementary Information.

GENERAL FUND BALANCE

Graph 1 summarizes the General Fund revenues and expenditures for the last five fiscal years. This graph does not include transfer amounts relating to other fund types and other financing sources (uses), which affect the ending fund balance.

Graph 1

General Fund Revenues and Expenditures
for last 5 fiscal years
(Dollars in billions)

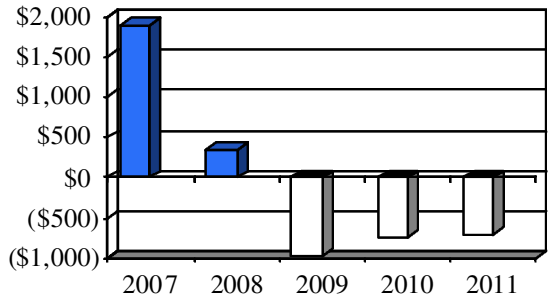


The General Fund ended the June 30, 2011 fiscal year with a total fund balance deficit of $703.161 million. This compares to the previous year's total fund balance deficit of $746.998 million, as restated.

Graph 2 summarizes the General Fund Balance (Deficit) for the last five fiscal years:

Graph 2

General Fund Balance (Deficit) for last 5 fiscal years
(Dollars in millions)



ECONOMIC CONDITION AND OUTLOOK

The following economic summary is excerpted from the Arizona Department of Administration's Employment Forecast Update, released on October 6, 2011.

The Office of Employment and Population Statistics (EPS) within the Arizona Department of Administration is forecasting a gradual increase in nonfarm employment in Arizona for the 2011-2012 projections time period. In comparison to the employment forecast released earlier in April, nonfarm employment growth has been forecast to be slightly slower in 2011 and moderate in 2012. An over-the-year gain of 15,500 nonfarm jobs is expected in 2011 and 29,900 in 2012. The previous forecast in April was for a 17,300 job gain in 2011 and 34,600 in 2012. In the current forecast, the rate of growth projected for total nonfarm employment is 0.7 percent in 2011 and 1.2 percent in 2012. A total of 45,400 nonfarm jobs are forecast to be gained over the two projected years (2011 & 2012).

Nationally, the forecasts for various economic indicators such as Gross Domestic Product (GDP), consumer spending, etc., have been scaled back from previous forecasts on a more cautious global outlook. In Arizona, net positive over-the-year gains started only since

January 2011. Although, employment is growing in Arizona, the speed of recovery has been weak. Arizona continues to face slow population growth, high unemployment, reduced income and wealth, weak housing and commercial real estate markets, and continued budgetary constraints in state and local governments.

Although 2011 appears to be better than the previous recessionary years, there are signs of slowing down in the economic environment in the U.S. Economic indicators such as GDP, real income, employment, industrial production, and wholesale have showed some signs of weakening in the U.S. Retail sales have been increasing as a result of higher food and energy costs. However, real personal consumption expenditures are declining. The future direction of federal economic policy is uncertain. There are indications of a tightening federal fiscal policy in the coming years. Banks have relaxed their underwriting criteria slightly, which has helped improve consumer and small business lending compared to the recessionary years.

Compared to the previous years, some improvements in the private sector have been seen because of increasing business and consumer spending. On the business side, firms have increased their investment spending on capital equipment to boost future labor productivity. Although corporate profits are rising, corporate investment is growing slowly as businesses are being cautious. Labor productivity and the number of hours worked have increased compared to last year. This has resulted in slow hiring. Consumer confidence has dropped since the first quarter of 2011. The continued impact of higher food and oil prices is expected to result in less disposable income being available to the consumer for local spending. With the weakening of the economic growth, inflation concerns are expected to ease in the coming year.

A weaker dollar will continue to increase export demand and international tourism, at least in the short term. With slowing economic growth internationally, the demand for U.S. exports and the rate of foreign direct investment in the U.S. economy is expected to slow down a bit. The European Union is dealing with the debt problems in the Euro monetary system. Japan is gradually emerging from the multiple disasters of the tsunami and nuclear power stations that occurred in March. Although the dollar is weak relative to other currencies at present, the direction it will take in the future is not very clear.

Other factors mentioned in the last forecast continue to persist:

- **Weaker population in-migration:** The continued fall in home values across the U.S. has exacerbated many of the existing financial and economic problems connected to housing in the Arizona economy. Declines in the U.S. home values since the beginning of the economic downturn in December 2007 has caused many home mortgages to become “underwater” and has limited the ability of people to move across state lines.
- **International Investment & Outsourcing:** Many U.S. based corporations are now investing and expanding their operations internationally because of the opportunities to sell their goods and services in expanding markets. Consequently, these corporations are expanding employment in foreign countries, but not in the U.S.
- **Contraction in Federal Expenditure:** Proposals have been made to reduce federal expenditures. However, the outcome is not known. Federal government military spending is expected to decrease. This will likely impact Arizona as military bases and contractors are located here in Arizona. Many post offices across the country are slated to be closed which will have an impact on Arizona as well.

The Educational and Health Services (EHS) sector is forecast to have the largest job gains of all the major sectors with an increase of 28,400 jobs, or 8.3 percent, for the 2010-2012 time period. Projected job gains in EHS have increased since the original forecast release in April. Within EHS, employment increases are forecast in Educational Services for the two years, based on the improved performance of this sector. It is followed by Health Care and Social Assistance. Reductions in government spending have the potential to curtail the growth of the EHS industries.

While the Leisure and Hospitality (L&H) sector is projected to have a lower rate of job growth than EHS at 5.8 percent; it is expected to add 14,500 jobs over the 2010-2012 time period. Employment increases are projected across all sectors in L&H including Accommodations, Food Services and Drinking Places, and Arts, Entertainment and Recreation. International and domestic tourism is expected to increase as economies grow around the world and more people travel to visit Arizona.

The Trade, Transportation, and Utilities (TTU) sector is forecast to have a gain of almost 13,100 jobs, or 2.8 percent, from 2010 to 2012. Employment growth in Wholesale trade is forecast because of expansion in Manufacturing, Natural Resources and Mining, and Retail Trade. Job gains are expected in Retail Trade resulting from faster growth in international tourism and moderate domestic consumer spending. Employment increases are projected in the Retail industries of Motor Vehicles and Parts and General Merchandise. However, job losses are projected to continue in Furniture and Home Furnishings and Building Materials and Garden Supplies because of continued problems in the housing market. In the TTU sectors, employment growth is projected for the Air and Truck transport sectors as a result of expansion in the international and domestic economies. However, growth is expected to be

restrained with the rise in energy and food costs. Employment levels in utilities are forecast to decrease because of continued problems in the residential and commercial real estate sectors.

The Manufacturing sector is projected to have an increase of 7,000 jobs, or 4.7 percent, resulting from pent up domestic demand and rising export demand from overseas economic expansion. Almost all fabrication industries are forecast to have job gains, with the exception of aerospace, because of cutbacks in certain federal programs and outsourcing. Civilian commercial aviation is not expected to fare much better because of proposed consolidation plans and rising energy costs. The recent disasters in Japan with the earthquakes, tsunamis, and nuclear reactor meltdowns are anticipated to have an impact on computer and electronics products fabrication, but the exact amount is unknown. The forecast for manufacturing employment growth has improved since the original forecast release in April.

Job gains in Financial Activities are projected to number more than 1,300 jobs, or 0.8 percent. Employment growth is forecast in most sectors, with the exception of credit intermediation, because of continued problems in the residential and commercial real estate markets. A significant portion of the employment gains are projected in the sector of securities, commodity contracts, and other financial investments and related activities. Employment increases in the real estate and rental and leasing sectors are forecast to occur as establishments that are engaged in renting, leasing, and other related services are expected to grow.

The Natural Resources and Mining (NRM) sector is forecast to gain almost 400 jobs, or 4.0 percent. Rising demand for metallic mineral ores from the growth of foreign and domestic economies and higher prices is driving these projected job gains. However, job losses are projected in the nonmetallic mineral ore sectors of NRM as a result of continued weakness in the construction sectors.

The Information sector is forecast to have a loss of 900 jobs, or 2.5 percent, over the 2010 to 2012 period. Employment reductions are projected in both the non-telecommunications and telecommunications sectors. Continued consolidation and absorption of excess capacity is causing continued job losses in telecommunications. The transition of video rentals from brick and mortar retail stores to online internet services and kiosks is driving employment reductions in non-telecommunications sectors of information.

Job losses in Professional and Business Services (PBS) are forecast to total 3,200, or 0.9 percent, over the 2010 to 2012 period. Projected employment losses of 3,800 jobs, or 1.1 percent in 2011, are being offset by the forecast job gains of 600 jobs, or 0.2 percent in 2012. Gains in 2012 are linked to improvements in other sectors of the economy such as Manufacturing, NRM, and Trade. From 2010 to 2012, management of companies and enterprises is one of the few sectors with projected gains in employment. The majority of all other sectors in PBS are forecast to have job losses.

The Other Services (OS) sector is forecast to have an employment increase of 500 jobs, or 0.6 percent. While job losses in 2011 are projected to number 900, or 1.0 percent, employment gains are forecast in 2012 with an increase of 1,400 jobs, or 1.6 percent. Job growth is projected to return in 2012 as a consequence of rising demand for repair and refurbishment services as consumers delay the purchase of replacements for their durable goods.

The Construction sector is forecast to lose 100 jobs, or 0.1 percent, from 2010 to 2012 resulting from continued problems in residential and commercial real estate. Most of the forecast losses for construction are in 2011, with job gains projected in 2012. In 2011, as well as 2012, the Specialty Trades sector within Construction is forecast to gain because of the need for building and infrastructure maintenance and repair. The 2011 Construction losses far exceed the 2012 gains, resulting in a net loss for this sector. Job losses in this sector have the potential to increase because of the ongoing problems in real estate. The number of housing starts and private residential building permits are near historic lows and suggest that real estate problems have not been completely resolved.

The Government sector is projected to have the largest job losses of all major industries during the 2-year forecast time period with a reduction of 15,700 jobs, or 3.8 percent. Projected employment losses have increased since the original forecast release in April. Local Governments are forecast to have reductions, especially in the area of Education. Job losses are also projected for the Federal Government. In contrast, the State Government is forecast to have small job gains, particularly in Education. However, depending on the outcome of Government spending, the pendulum could shift either way in terms of job gains or losses in this sector.

MAJOR INITIATIVES

Arizona's economic conditions during fiscal year 2011 improved over the considerable downward trend in previous years, resulting in slightly better General Fund tax revenue collections. Also providing extra support to the General Fund was the implementation of a 1% temporary sales tax effective June 1, 2010. The State Legislature enacted laws to improve the competitiveness of businesses in

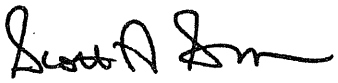
the State, including the creation of the Arizona Commerce Authority, and the reduction of the corporate income and property tax rates. Additionally, the State Legislature enacted a comprehensive Medicaid reform plan that included reductions to specific AHCCCS populations and cuts to provider rates, both of which were intended to realize further savings to the General Fund budget.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Arizona for its CAFR for the fiscal year ended June 30, 2010. This was the seventh consecutive year that the State has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

We wish to express our sincere appreciation to the many individuals whose dedicated efforts have made this report possible. The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the financial and management personnel of each State agency, board, commission, council, administration, office, institution of higher education, and all other organizations within the reporting entity.



Scott A. Smith
Director

D. Clark Partridge
State Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

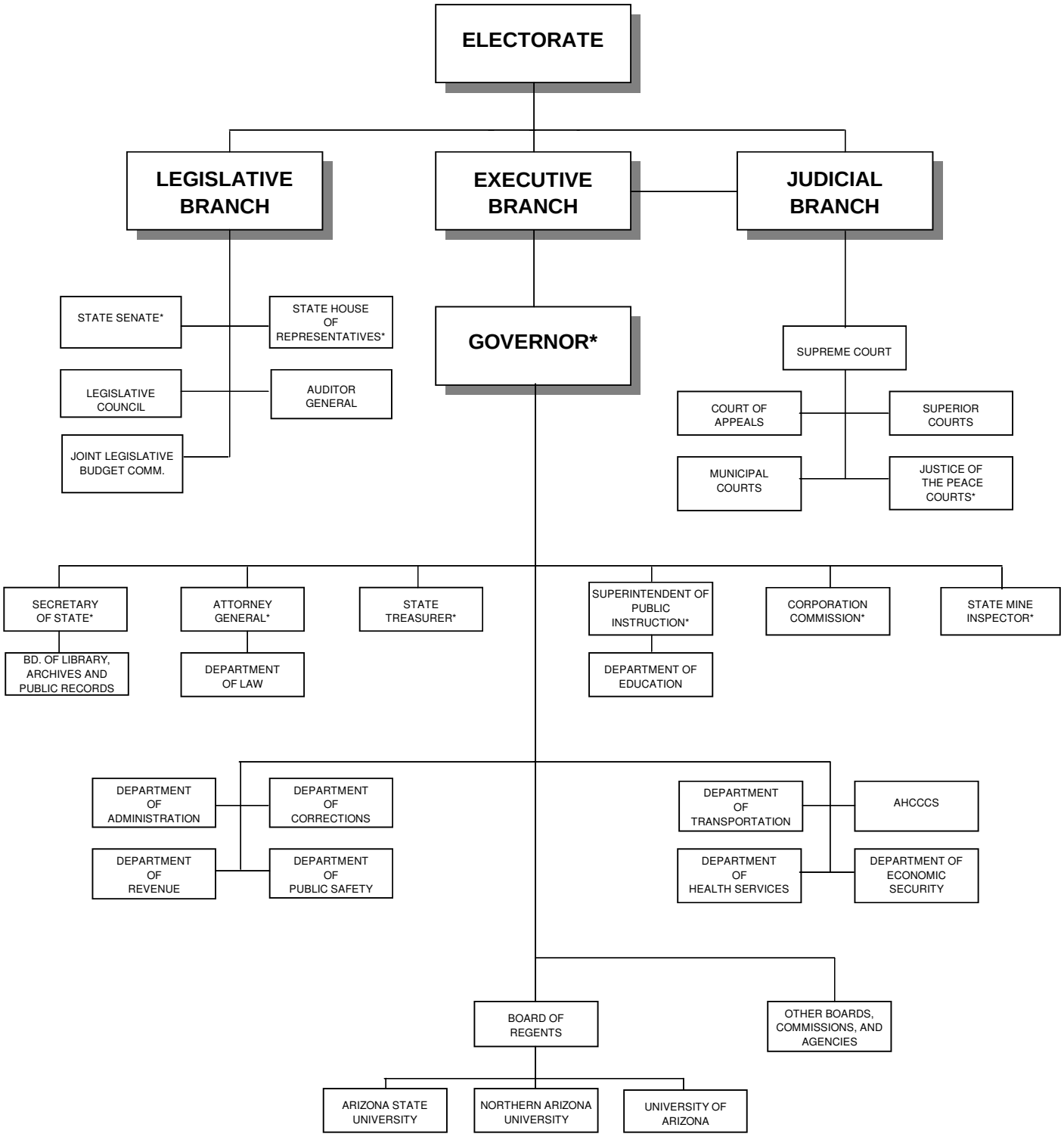
Linda C. Davidson

President

Jeffrey R. Esser

Executive Director

ARIZONA STATE GOVERNMENT ORGANIZATION



* ELECTED OFFICIALS

STATE OF ARIZONA
PRINCIPAL STATE OFFICIALS
JUNE 30, 2011

ELECTED OFFICIALS

Janice K. Brewer, Governor

Senator Steve Pierce, President of the Senate – current

Senator Russell Pearce, President of the Senate – through November, 2011

Representative Andy Tobin, Speaker of the House

Ken Bennett, Secretary of State

Tom Horne, Attorney General

Joe Hart, State Mine Inspector

Doug Ducey, State Treasurer

John Huppenthal, Superintendent of Public Instruction

Gary Pierce, Chairman – Corporation Commission

Brenda Burns, Commissioner – Corporation Commission

Sandra D. Kennedy, Commissioner – Corporation Commission

Paul Newman, Commissioner – Corporation Commission

Bob Stump, Commissioner – Corporation Commission

APPOINTED OFFICIALS

Executive Officials

Scott A. Smith, Director – Department of Administration

Charles L. Ryan, Director – Department of Corrections

Clarence H. Carter, Director – Department of Economic Security

John A. Greene, Director – Department of Revenue

Robert Halliday, Director – Department of Public Safety

Will Humble, Director – Department of Health Services

Tom Betlach, Director – Arizona Health Care Cost Containment System

John S. Halikowski, Director – Department of Transportation

Janet Fisher, Acting State Librarian – Arizona State Library, Archives and Public Records

Judicial Officials

Rebecca White Berch, Chief Justice – Supreme Court

Legislative Officials

Michael E. Braun, Executive Director – Legislative Council

Richard Stavneak, Director – Joint Legislative Budget Committee

Debra K. Davenport, CPA, Auditor General – Office of the Auditor General

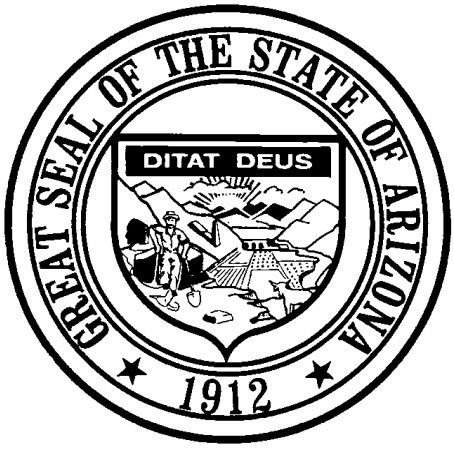
University Officials

Dr. Michael M. Crow, President – Arizona State University

Dr. John D. Haeger, President – Northern Arizona University

Dr. Eugene G. Sander, President – University of Arizona - current

Dr. Robert N. Shelton, President – University of Arizona - through June, 2011


GREAT SEAL OF THE STATE OF ARIZONA
DITAT DEUS
1912

FINANCIAL SECTION

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

The Honorable Janice K. Brewer, Governor
State of Arizona

The Honorable Steve Pierce, President
Arizona State Senate

The Honorable Andy Tobin, Speaker
Arizona House of Representatives

The Honorable Rebecca White Berch, Chief Justice
Arizona Supreme Court

We have audited the accompanying financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Arizona as of and for the year ended June 30, 2011, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain departments, the State's retirement plans, and certain discretely presented component units, which account for the following percentages of the assets and revenues, additions, and other financing sources, as applicable, of the opinion units affected:

Opinion Unit/Department	Assets	Revenues/Additions/ Other Financing Sources
Government-wide Statements		
Governmental activities:		
Arizona Health Care Cost Containment System	2.14%	19.13%
Department of Transportation	68.08%	11.63%
Early Childhood Development and Health Board	1.59%	.48%
Business-type activities:		
Arizona Correctional Industries	.22%	.58%
Arizona Health Care Cost Containment System	.13%	.68%
Department of Transportation	1.21%	.12%
Lottery Department	1.03%	9.92%
Aggregate discretely presented component units	99.73%	99.98%

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Opinion Unit/Department	Assets	Revenues/Additions/ Other Financing Sources
Fund Statements		
Major Governmental Funds:		
General Fund—Arizona Health Care Cost Containment System	20.46%	22.89%
Transportation and Aviation Planning, Highway Maintenance and Safety Fund—Department of Transportation	100.00%	100.00%
Major Enterprise Fund:		
Lottery Fund—Lottery Department	100.00%	100.00%
Aggregate Remaining Fund Information:		
Arizona Correctional Industries	.03%	.28%
Arizona Health Care Cost Containment System	.08%	1.36%
Arizona State Retirement System	64.28%	61.28%
Corrections Officer Retirement Plan	2.96%	2.41%
Department of Transportation	.92%	6.16%
Early Childhood Development and Health Board	.96%	1.03%
Elected Officials' Retirement Plan	.71%	.62%
Public Safety Personnel Retirement System	11.81%	9.67%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those departments, retirement plans, and component units, are based solely on the reports of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Rio Nuevo Multipurpose Facilities District, Arizona Power Authority, UA Healthcare, Inc., and the universities—affiliated component units, except for those of the University Public Schools, Inc., which were reported as discretely presented component units, were not audited by the other auditors in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Arizona as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The financial statements of the Healthcare Group of Arizona, a nonmajor enterprise fund, are included as part of the State's business-type activities and aggregate remaining fund information. As discussed in Note 11, the Healthcare Group of Arizona has incurred significant operating losses in past years and had a fund deficit of $2.989 million at June 30, 2011, that raise substantial doubt about its ability to continue operations. Management's plans in regard to these matters are also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The financial statements of Rio Nuevo Multipurpose Facilities District (Rio Nuevo) were audited by other auditors who issued a qualified opinion on capital assets, accumulated depreciation, and depreciation expense for Rio Nuevo as of and for the year ended June 30, 2011. As described in the other auditors' opinion, this opinion qualification was the result of inadequate accounting records. Rio Nuevo is a discretely presented component unit of the State and is included in the component units column on the government-wide financial statements. This had no effect on our opinion for the aggregate discretely presented component units as of and for the year ended June 30, 2011.

As described in Note 1, the State implemented the provisions of the Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* for the year ended June 30, 2011, which represents a change in accounting principles.

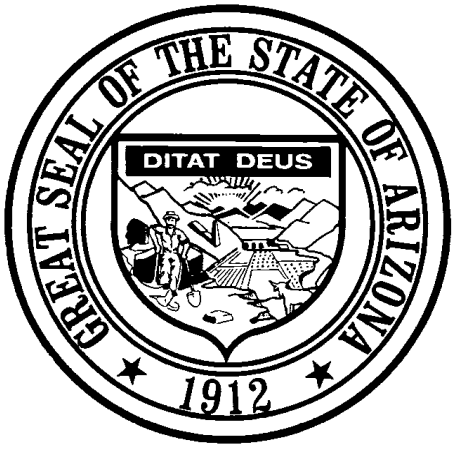
The Management's Discussion and Analysis on pages 21 through 34, the Budgetary Comparison Schedules on pages 137 through 155, the Infrastructure Assets information on pages 156 through 159, and the Schedule of Agent Retirement Plans' Funding Progress on page 160 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, combining financial statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Debbie Davenport
Auditor General

February 10, 2012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MANAGEMENT'S DISCUSSION AND ANALYSIS

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The following is a discussion and analysis of the State of Arizona's (the State's) financial performance, providing an overview of the activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section. The completeness and fairness of the following information is the responsibility of the State's officials and management.

FINANCIAL HIGHLIGHTS

Government-wide:

- The assets of the State exceeded liabilities at the close of the fiscal year by $19.8 billion (reported as net assets). Of this amount, a deficit of $3.5 billion exists for unrestricted net assets, $5.6 billion is restricted for specific purposes (restricted net assets), and $17.7 billion is invested in capital assets, net of related debt.
- The State's total net assets increased in fiscal year 2011 by $1.1 billion. Net assets of governmental activities increased by $977.217 million, while net assets of the business-type activities increased by $115.796 million.

Fund Level:

- As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of $4.5 billion, an increase of $698.937 million from the beginning of the year. After accounting for non-spendable, restricted, and committed fund balances of $3.3 billion, $1.8 billion, and $593.630 million, respectively, the State's unassigned fund balance had a deficit of $1.2 billion, or 27% of combined fund balances.
- As of the close of the fiscal year, unassigned fund balance for the General Fund had a deficit of $1.2 billion, which is approximately 6% of total General Fund expenditures.
- The Land Endowments Fund reported fund balance at year end of $3.2 billion, an increase of $520.353 million during the year. The Land Endowments Fund is used to help finance public education within the State as required by the federal government and the State's Constitution.
- The enterprise funds reported net assets at year end of $2.6 billion, an increase of $78.800 million during the year.

Long-term Debt:

- The State's total long-term primary government debt increased during the fiscal year to $10.1 billion, an increase of $151.649 million (or 2%). Changes during the year included the addition of revenue bonds, grant anticipation notes, and certificates of participation, of $305.305 million, $158.585 million, and $158.792 million, respectively. Also, the State retired $249.495 million of revenue bonds, $70.570 million of grant anticipation notes, and $146.675 million of certificates of participation.

More detailed information regarding the government-wide financial statements, fund level financial statements, and long-term debt activity can be found beginning on **page 24**.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements, which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. Required Supplementary Information and other supplementary information are included in addition to the basic financial statements.

Government-wide Statements (Reporting the State as a Whole)

The government-wide financial statements provide a broad overview of the State of Arizona's finances in a manner similar to private sector business. The financial statements report information about the State, as a whole, and about its activities that should help answer this question: Is the State, as a whole, better or worse off as a result of this year's activities? These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid. The government-wide financial statements include the following:

The Statement of Net Assets and the Statement of Financial Position (pages 38-40) present all of the State's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets measure whether the State's financial position is improving or deteriorating.

The Statements of Activities (pages 42-44) present information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave). Additionally, long-term assets and liabilities are reported regardless of when these assets are expected to be converted to cash, or when the liability is expected to be liquidated (e.g., capital assets and long-term debt).

Government-wide statements report three activities:

¿ Governmental Activities – Most of the State's basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services. The Legislature, the Judiciary, and the general operations of the Executive departments fall within the governmental activities.

¿ Business-type Activities – The State charges fees to customers to help it cover all or most of the cost of certain services it provides. Lottery tickets, the State's unemployment compensation services, the Industrial Commission Special Fund, and the State's three universities are examples of business-type activities.

¿ Discretely Presented Component Units – Component units are legally separate organizations for which the elected officials of the State are financially accountable. The Rio Nuevo Multipurpose Facilities District, the Greater Arizona Development Authority, the UA Healthcare, the Arizona Power Authority, and the Water Infrastructure Finance Authority are discretely presented component units reported by the State. Based on GASB Statement No. 39, the State has added University Foundations and financing authorities whose financial statements are prepared in conformity with U.S. generally accepted accounting principles, as adopted by the Financial Accounting Standards Board. These organizations include the ASU Foundation, the Arizona Capital Facilities Finance Corporation, the U of A Foundation, and other non-major foundations and financing authorities. Financial statements for these organizations are presented immediately following the government-wide statements to emphasize that they are prepared in accordance with accounting standards other than those promulgated by GASB, and include a statement of financial position **(page 40)** and a statement of activities **(page 44)**. See **pages 69-72 and 122-133** for more information on discretely presented component units.

Fund Financial Statements (Reporting the State's Major Funds)

The fund financial statements begin on **page 45** and provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, **page 164** begins the individual fund data for the non-major funds. The State's funds are divided into three categories – governmental, proprietary, and fiduciary – each category uses different accounting approaches.

¿ Governmental funds – Most of the State's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the general, special revenue, capital projects, debt service, and permanent funds. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. This report includes two schedules **(pages 46 and 48-49)** that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (accrual accounting) reported on the appropriate government-wide statement.

Governmental fund financial statements can be found on pages 45 and 47 of this report.

¿ Proprietary funds – When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting; the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public – such as the State Lottery and Universities. Internal service funds report activities that provide supplies and services for the State's other programs and activities – such as the State's Risk Management Fund. Internal service fund operations primarily benefit governmental funds and are reported as governmental activities on the government-wide statements. The reconciliation between the government-wide financial statements for business-type activities and the proprietary fund financial statements is presented at the end of the propriety fund financial statements on **pages 52-55.**

Proprietary fund financial statements can be found on pages 50-59 of this report.

¿ Fiduciary funds – The State acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on **page 60.** These funds are reported using accrual accounting and include pension and other employee benefit trust, investment trust, and agency funds. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

Fiduciary fund financial statements can be found on pages 60-61 of this report.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes can be found beginning on page 69 of this report.

Required Supplementary Information

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes budgetary expenditure comparison schedules for the General Fund and each major special revenue fund and a reconciliation of the schedules of statutory and U.S. GAAP expenditures for the fiscal year. This section also includes schedules of condition and maintenance data regarding certain portions of the State's infrastructure and agent benefit plans' funding progress schedules.

Required supplementary information begins on page 137 of this report.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, non-major enterprise, all internal service funds, all fiduciary funds, and non-major universities – affiliated component units. These funds are added together, by fund type, and presented in single columns in the basic financial statements, but are not reported individually, as are major funds on the governmental funds and proprietary funds financial statements. Budgetary expenditure comparison schedules for the non-major special revenue funds and the land endowment funds are also included.

Other supplementary information begins on page 164 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The State's overall financial position and operations for the past year for the primary government are summarized, as follows, based on the information included in the government-wide financial statements.

State of Arizona-Primary Government
Net Assets as of June 30, 2011 and 2010
(expressed in thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2011	2010	2011	2010	2011	2010
Current assets	$ 3,918,220	$ 4,236,816	$ 1,366,923	$ 1,314,515	$ 5,285,143	$ 5,551,331
Capital assets	19,809,830	19,125,514	3,780,580	3,530,141	23,590,410	22,655,655
Other non-current assets	4,835,725	4,440,342	1,479,125	1,425,621	6,314,850	5,865,963
Total Assets	28,563,775	27,802,672	6,626,628	6,270,277	35,190,403	34,072,949
Current liabilities	3,888,505	4,242,317	886,322	637,055	4,774,827	4,879,372
Non-current liabilities	7,466,998	7,329,300	3,145,324	3,154,036	10,612,322	10,483,336
Total Liabilities	11,355,503	11,571,617	4,031,646	3,791,091	15,387,149	15,362,708
Net assets:						
Invested in capital assets, net of related debt	16,326,569	15,738,121	1,397,683	1,352,658	17,724,252	17,090,779
Restricted net assets	5,125,527	4,648,280	501,437	550,102	5,626,964	5,198,382
Unrestricted net assets	(4,243,824)	(4,155,346)	695,862	576,426	(3,547,962)	(3,578,920)
Total Net Assets	$ 17,208,272	$ 16,231,055	$ 2,594,982	$ 2,479,186	$ 19,803,254	$ 18,710,241

For the year ended June 30, 2011, the State's combined net assets totaled $19.8 billion, reflecting an increase of $1.1 billion during the current fiscal year.

The largest portion of the State's net assets (90%) represents capital assets, net of related debt of $17.7 billion. Additions to roads and bridges provided the majority of the governmental activities increase of $588.448 million. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of accumulated depreciation and related debt, it should be noted that the resources needed to repay this debt are planned to be provided from other sources, since the capital assets themselves are not typically used to liquidate these liabilities.

The State's net assets also included $5.6 billion (28%) of resources that are subject to external restrictions on how they may be used. The governmental activities increase in restricted net assets of $477.247 million is primarily the result of: (i) an increase of $204.572 million in the amount restricted by the State's Constitution for basic education funded by the Land Endowments Fund and (ii) an increase of $101.013 million in restrictions for capital projects. The remaining increase is primarily attributable to an increase in restrictions for health and welfare programs that receive federal grant funding.

After accounting for the above net asset restrictions, the State has a remaining deficit of $3.5 billion (18%) reported as unrestricted net assets.

State of Arizona-Primary Government
Changes in Net Assets for Fiscal Years June 30, 2011 and 2010
(expressed in thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	$ 837,714	$ 877,513	$ 2,745,116	$ 2,492,801	$ 3,582,830	$ 3,370,314
Operating grants and contributions	12,580,013	13,735,263	2,212,673	2,260,071	14,792,686	15,995,334
Capital grants and contributions	745,559	576,027	14,799	12,563	760,358	588,590
General revenues:						
Sales taxes	5,942,250	5,029,050	52,913	52,318	5,995,163	5,081,368
Income taxes	3,366,783	2,809,995	-	-	3,366,783	2,809,995
Tobacco taxes	320,657	332,893	-	-	320,657	332,893
Property taxes	32,038	31,417	-	-	32,038	31,417
Motor vehicle and fuel taxes	1,565,525	1,583,790	-	-	1,565,525	1,583,790
Other taxes	550,430	535,435	-	-	550,430	535,435
Unrestricted investment earnings	29,183	37,665	68,401	70,766	97,584	108,431
Unrestricted grants and contributions	16,468	13,213	-	-	16,468	13,213
Gain (loss) on sale of trust land	(154,359)	64,005	-	-	(154,359)	64,005
Miscellaneous revenue	140,854	204,295	50,510	52,072	191,364	256,367
Total Revenues	25,973,115	25,830,561	5,144,412	4,940,591	31,117,527	30,771,152
Expenses:						
General government	929,107	941,813	-	-	929,107	941,813
Health and welfare	12,558,119	13,090,357	-	-	12,558,119	13,090,357
Inspection and regulation	149,649	157,786	-	-	149,649	157,786
Education	5,467,543	5,706,667	-	-	5,467,543	5,706,667
Protection and safety	1,299,205	1,451,571	-	-	1,299,205	1,451,571
Transportation	857,194	511,397	-	-	857,194	511,397
Natural resources	196,210	183,535	-	-	196,210	183,535
Intergovernmental revenue sharing	2,462,178	2,585,683	-	-	2,462,178	2,585,683
Interest on long-term debt	341,801	261,518	-	-	341,801	261,518
Universities	-	-	3,533,977	3,343,377	3,533,977	3,343,377
Unemployment Compensation	-	-	1,655,364	2,103,028	1,655,364	2,103,028
Industrial Commission Special Fund	-	-	27,196	67,750	27,196	67,750
Lottery	-	-	439,069	432,150	439,069	432,150
Other business-type activities	-	-	115,442	126,029	115,442	126,029
Total Expenses	24,261,006	24,890,327	5,771,048	6,072,334	30,032,054	30,962,661
Excess (deficiency) before contributions, extraordinary item, and transfers	1,712,109	940,234	(626,636)	(1,131,743)	1,085,473	(191,509)
Contributions to permanent endowments	-	-	3,656	3,020	3,656	3,020
Extraordinary item:						
Insurance recovery, net of impairment loss	-	-	3,884	7,080	3,884	7,080
Transfers	(734,892)	(809,864)	734,892	809,864	-	-
Change in Net Assets	977,217	130,370	115,796	(311,779)	1,093,013	(181,409)
Net Assets - July 1	16,231,055	16,100,685	2,479,186	2,790,965	18,710,241	18,891,650
Net Assets - June 30	$ 17,208,272	$ 16,231,055	$ 2,594,982	$ 2,479,186	$ 19,803,254	$ 18,710,241

Change in Net Assets

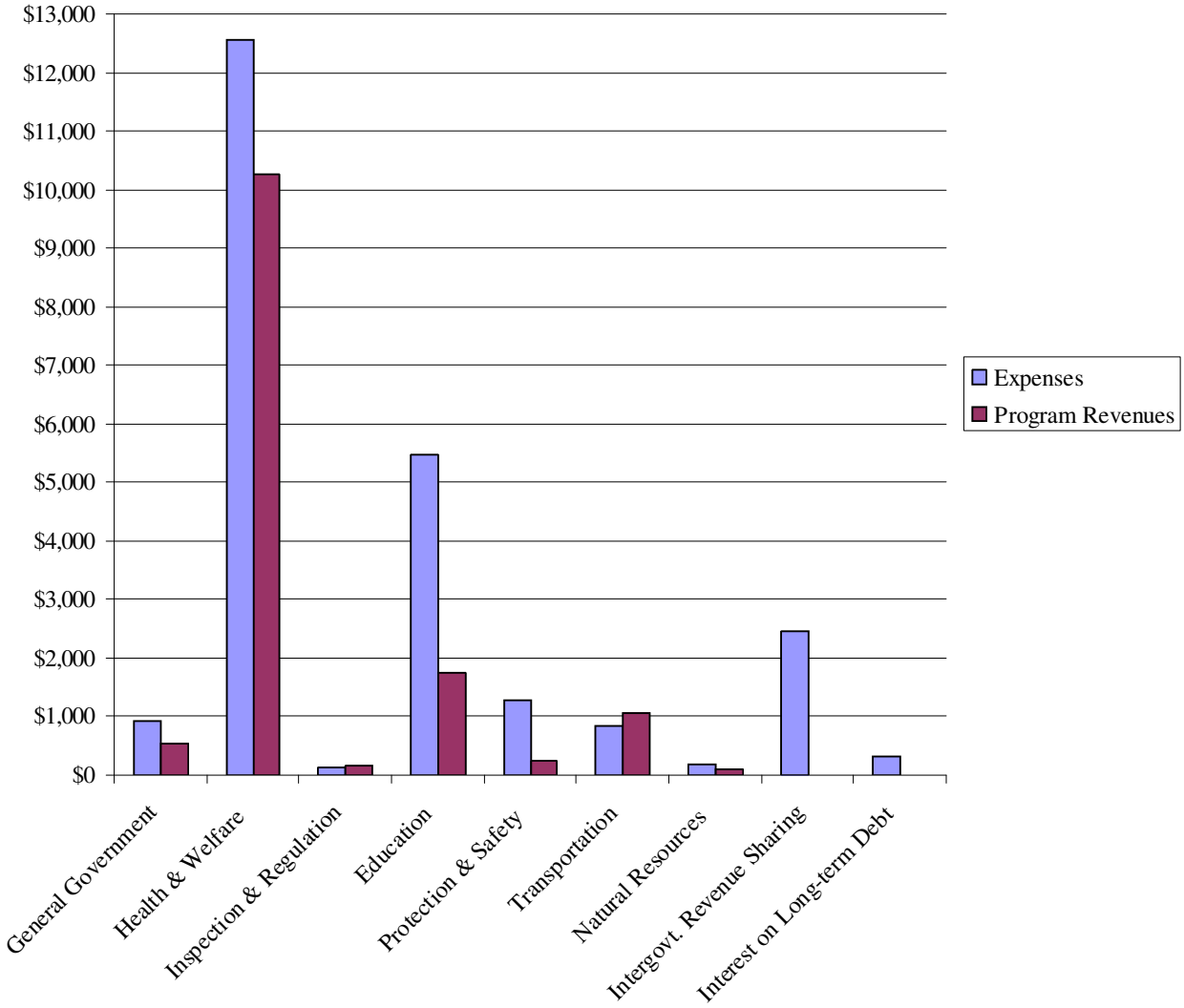
Governmental Activities – Net Assets increased by $977.217 million from fiscal year 2010, or a 6% increase from fiscal year 2010 total net assets. Reported sales tax and income tax revenues increased by $913.200 million, or 18%, and $556.788 million, or 20%, from fiscal year 2010, respectively. Most of the increase in sales tax revenue was due to the 1% temporary sales tax, approved by voters on May 18, 2010, which resulted in fiscal year 2011 reported amount of $846.660 million. During fiscal year 2011, the State received less federal stimulus funds from the American Recovery and Reinvestment Act (ARRA). This contributed to the decrease in fiscal year 2011 operating grants and contributions revenue of $1.2 billion, or 8%, as compared to fiscal year 2010. In addition, the State increased its estimate of uncollectible accounts receivable from land sales, due to certain long-term contracts being cancelled for non-payment, by $281.930 million during fiscal year 2011. Additionally, there were decreases in expenses for health and welfare, education, and protection and safety of $532.238 million, $239.124 million, and $152.366 million, respectively, primarily due to the elimination and modification of several State programs. Health and welfare expenditures were reduced by eliminating several of the Arizona Health Care Cost Containment System's (AHCCCS) coverage and benefits, as well as tightening eligibility requirements for AHCCCS and other State financial assistance. Significant reductions in education expenditures were achieved through elimination of funding for Full Day Kindergarten and non-formula programs such as Adult Education, Chemical Abuse, and Early Childhood. In addition, school districts within the State deferred maintenance projects to future fiscal years. Protection and safety expenditure reductions were achieved through identification and implementation of efficiencies in both the Department of Corrections and the Department of Public Safety.

A comparison of the net cost (income) of services by function for the State's governmental activities is shown below for fiscal years 2011 and 2010. Net cost (income) is the total cost less revenues generated by the activities and shows the financial burden placed upon the State's taxpayers by each of these functions.

Governmental Activities
(expressed in thousands)

	Total Cost of Services		Net Cost (Income) of Services	
	2011	2010	2011	2010
Functions/Programs:				
General government	$ 929,107	$ 941,813	$ 391,881	$ 458,954
Health and welfare	12,558,119	13,090,357	2,289,217	2,147,391
Inspection and regulation	149,649	157,786	(21,380)	(5,925)
Education	5,467,543	5,706,667	3,706,090	3,410,225
Protection and safety	1,299,205	1,451,571	1,059,449	1,102,866
Transportation	857,194	511,397	(221,736)	(334,359)
Natural resources	196,210	183,535	90,220	75,171
Intergovernmental revenue sharing	2,462,178	2,585,683	2,462,178	2,585,683
Interest on long-term debt	341,801	261,518	341,801	261,518
Total Governmental Activities	$ 24,261,006	$ 24,890,327	$ 10,097,720	$ 9,701,524

Expenses and Program Revenues
Governmental Activities for Fiscal Year 2011
(in millions of dollars)



Business-type Activities – Net Assets increased by $115.796 million from fiscal year 2010, or 5%. This increase is primarily due to an increase in net assets for the Universities of $237.172 million. Non-operating revenues and transfers from the General Fund more than offset the Universities' operating loss of $1.1 billion. Although the Universities experienced increased operating revenues due to approved student tuition rate increases and increased enrollment, the revenue increase was largely offset by increases in expenses for instruction, academic support, and research. In addition, the federal fiscal stabilization funding began to expire during fiscal year 2011, further offsetting the revenue increases mentioned above. The Industrial Commission Special Fund also contributed to the net asset increase in fiscal year 2011. The net assets of the Industrial Commission Special Fund increased by $39.200 million during fiscal year 2011. This increase is largely due to investment earnings of $41.590 million. In fiscal year 2010, the Industrial Commission Special Fund experienced a decrease in net assets from the prior fiscal year largely due to having an operating loss of $47.043 million during fiscal year 2010. Investment earnings of $38.951 million largely offset this operating loss in fiscal year 2010. In fiscal year 2011, expenses decreased significantly, resulting in the fiscal year 2011 increase in net assets as compared to prior fiscal years, even though investment earnings remained relatively stable in fiscal year 2011. Although the State had increases in the Universities and the Industrial Commission Special Fund, the decrease in net assets of the Unemployment Compensation Fund, in the amount of $207.741 million, partially offset

those increases. However, the Unemployment Compensation Fund decrease in net assets was significantly less in fiscal year 2011, than in fiscal year 2010, because expenses in this fund decreased significantly, primarily as a result of a decrease in the State's unemployment rate. The average unemployment rate for fiscal year 2010 was 10.2% while the average unemployment rate during fiscal year 2011 was 9.6%.

A comparison of the net cost (income) of services by function for the State's business-type activities is shown below for fiscal years 2010 and 2011. Net cost (income) is the total cost less revenues generated by the activities and shows the financial burden placed upon the State's taxpayers by each of these functions.

Business-type Activities
(expressed in thousands)

	Total Cost of Services		Net Cost (Income) of Services	
	2011	2010	2011	2010
Functions/Programs:				
Universities	$ 3,533,977	$ 3,343,377	$ 737,451	$ 837,324
Unemployment Compensation	1,655,364	2,103,028	208,185	546,269
Industrial Commission Special Fund	27,196	67,750	5,535	50,170
Lottery	439,069	432,150	(144,468)	(119,342)
Other	115,442	126,029	(8,243)	(7,522)
Total Business-type Activities	$ 5,771,048	$ 6,072,334	$ 798,460	$ 1,306,899

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The general government functions are contained in the general, special revenue, debt service, capital projects, and permanent funds. The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund

The General Fund is the chief operating fund of the State. At June 30, 2011, unassigned fund balance of the General Fund had a deficit of $1.2 billion, while total fund balance closed the year at a deficit of $703.161 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and other financing uses. Unassigned fund balance represents a negative 5% of total expenditures and other financing uses, while total fund balance represents a negative 3% of the same amount.

The fund balance of the State's General Fund increased $43.837 million during the fiscal year. The primary reasons for the increase in fund balance during the fiscal year is the collection of a 1% temporary sales tax which was approved by voters on May 18, 2010, increased income tax collections, and the elimination and modification of several State programs in health and welfare, education, and protection and safety, as discussed in the government-wide financial analysis beginning on **page 24**. As a result of these revenue increases and expenditure reductions, revenues exceeded expenditures by $639.311 million, before other financing sources and uses. However, other financing sources and uses almost completely offset this excess. Other financing sources and uses consist primarily of transfers to the Universities in support of higher education, offset by legislative transfers from other funds to the General Fund and proceeds from the issuance of certificates of participation to finance new school construction throughout the State. Overall revenues increased by $737.595 million (4%) over fiscal year 2010. Although sales taxes and income taxes increased by a total of $1.5 billion (21%), this increase was partially offset by a decrease of $785.644 million (6%) in intergovernmental revenue. The expiration of the federal fiscal stabilization program, which is part of the ARRA, contributed to the decrease in intergovernmental revenue.

Health and welfare expenditures decreased by $221.937 million, or 2%, as compared to fiscal year 2010. The decrease in expenditures in fiscal year 2011 can be attributed to the elimination, reduction, or modification of various AHCCCS programs and expenditure reductions in other health and welfare programs. Specifically, the following modifications to AHCCCS programs were implemented during fiscal year 2011:

- ¿ a freeze in new membership in the KidsCare program,
- ¿ elimination of non-mandatory benefits (including some organ transplants),
- ¿ removal of coverage for the parents of KidsCare children,
- ¿ elimination of dental coverage for long-term care patients, and
- ¿ reductions of institutional and non-institutional reimbursement rates to providers of up to 5% in the contract year beginning October 1, 2010.

Outside of AHCCCS, there have been significant reductions to other health and welfare programs. Child care assistance for low income working (LIW) families has been frozen, and there are more than 8,000 families with young children on the waiting list for this service. The number of LIW clients has been reduced by nearly 18,000 families since the implementation of the waiting list. In fiscal year 2010, the State reduced the duration of cash assistance eligibility from 60 months to 36 months and implemented tighter eligibility standards for households. As a result, nearly 19,000 families have stopped receiving this form of monthly assistance. In addition, spending reductions to non-Title XIX behavioral health services were created during fiscal year 2011.

Education expenditures decreased by $312.687 million, or 6%, as compared to fiscal year 2010. Analysis of the decrease in education expenditures was discussed in the government-wide financial analysis beginning on **page 24**.

Protection and safety expenditures decreased by $206.768 million, or 16%, as compared to fiscal year 2010. This decrease was primarily due to fund reclassifications from the General Fund to special revenue funds in fiscal year 2011 as a result of the implementation of GASB Statement No. 54. In fiscal year 2010, these reclassified funds accounted for approximately $170.126 million of the protection and safety expenditures reported in the General Fund. Analysis of the remaining decrease in protection and safety expenditures was discussed in the government-wide financial analysis beginning on **page 24**.

Transportation and Aviation Planning, Highway Maintenance and Safety Fund

The Transportation and Aviation Planning, Highway Maintenance and Safety Fund is responsible for the repair and maintenance of existing roads, paying the debt service for roads that are built from the issuance of revenue bonds and grant anticipation notes, and providing technical assistance with road construction provided by contractors hired by the Arizona Department of Transportation (ADOT). Total fund balance increased $101.941 million during fiscal year 2011. The fund balance increase was primarily due to increased receipts of federal aid under the ARRA. Construction contracts for nearly all of the projects have been awarded, while approximately half of the receipts have been expended.

Land Endowments Fund

The fund was established when the federal government granted Arizona statehood. Both the State's Constitution and the federal government require that the land grants given to the State be maintained indefinitely, and the earnings from the land grants should be used for public education, primarily K-12. The Land Endowments Fund total fund balance increased $520.353 million during fiscal year 2011. Endowment investments increased $506.449 million, at fiscal year end, due to receipts from land sales of $95.500 million and a net increase in the fair value of investments of $366.523 million.

Proprietary funds

The business-type activities discussion for the fund level financial statements of the State's enterprise funds provide the same type of information found in the government-wide financial analysis beginning on **page 27**.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the original budget was amended by various supplemental appropriations and appropriation revisions. Differences between the original budget of $15.6 billion and the final amended budget of $17.6 billion resulted in a $2.0 billion net increase in appropriations for the General Fund, before adjustments. Some of the significant changes in the General Fund appropriations were:

1. $212.539 million increase due to prior fiscal year obligations that were paid in the current fiscal year per ARS §35-191.
2. $1.2 billion increase to the AHCCCS original budget is primarily due to the extension of the Federal Medical Assistance Payments (FMAP) rate increase through June 30, 2011, resulting from the Federal government's passage of HR 1586, and a supplemental appropriation of Health Plan Payments deferred from fiscal year 2010. The FMAP increase was not extended by the Federal Government until after the passage of the original budget.
3. $514.231 million increase for Department of Education is primarily due to the fiscal year 2010 Basic State Aid deferred payment which was appropriated as an adjustment to the fiscal year 2011 original budget. Personnel reductions were also legislated as part of the supplemental appropriations bill during fiscal year 2011.
4. $38.029 million increase to the Universities for lease purchase capital financing for research infrastructure facilities.
5. $29.291 million increase for Department of Health Services (DHS) is primarily due to an increase in the original budget due to the extension of the FMAP rate increase through June 30, 2011. The FMAP increase was not extended by the Federal Government until after the passage of the original budget. The FMAP increase was partially offset by a decrease in the original budget for Medicaid capitation payments.
6. $23.598 million decrease to the General Accounting Office is primarily due to health insurance and lease purchase adjustments.
7. $20.000 million increase for the Parks Board "Growing Smarter" transfer to the Land Conservation Fund per ARS §41-511.23 to provide grants to purchase State trust land for conservation purposes.

The actual expenditures were less than the final budget by $909.555 million, after adjustments. Of this amount, $48.940 million will continue as legislative multiple fiscal year spending authority for fiscal years 2012 and beyond, depending upon the budgetary guidelines of the Legislature. The remaining $860.615 million represents the unused portion of the State's legislatively authorized annual operating budget.

Additional budgetary information can be found on pages 137-155 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets:

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2011 totaled $23.6 billion, net of accumulated depreciation. The total primary government increase in capital assets for the current period was 4%, with a 4% increase in capital assets used for governmental activities and a 7% increase for business-type activities. Depreciation charges of the governmental and business-type activities for the fiscal year totaled $348.045 million.

Major capital asset activity during the current fiscal year included the following:

¿ The Universities' additions to capital assets totaled $487.500 million and included increased investments in buildings for instruction and research, student housing, building renewal, deferred maintenance, and other capital projects.

¿ The ADOT started or completed roads and bridges totaling $1.2 billion during the fiscal year.

For the government-wide financial statement presentation, all depreciable assets were depreciated from the acquisition date to the end of the current fiscal year. Capital asset purchases of the governmental funds are reported in the fund-level financial statements as expenditures.

Capital assets for the governmental and business-type activities as of June 30, 2011 are presented below (expressed in thousands):

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	$ 2,757,806	$ 2,602,541	$ 186,143	$ 185,292	$ 2,943,949	$ 2,787,833
Buildings	1,899,835	1,895,998	4,196,305	3,982,408	6,096,140	5,878,406
Improvements other than buildings	157,580	151,356	4,816	4,811	162,396	156,167
Equipment	757,691	728,811	1,480,029	1,413,422	2,237,720	2,142,233
Software and intangibles	129,857	130,988	-	-	129,857	130,988
Collections (non-depreciable)	-	-	18,657	17,749	18,657	17,749
Infrastructure	11,626,519	11,058,408	399,431	383,883	12,025,950	11,442,291
Construction in progress	3,839,780	3,823,110	404,843	255,196	4,244,623	4,078,306
Development in progress	85,672	84,277	-	-	85,672	84,277
Less: accumulated depreciation	(1,444,910)	(1,349,975)	(2,909,644)	(2,712,620)	(4,354,554)	(4,062,595)
Total	$ 19,809,830	$ 19,125,514	$ 3,780,580	$ 3,530,141	$ 23,590,410	$ 22,655,655

As provided by GASB Statement No. 34, the State has elected to record its infrastructure assets, that the ADOT is responsible for maintaining, using the modified approach as described in Note 1H. Assets accounted for under the modified approach include 6,722 center lane miles (18,771 travel lane miles) and 4,741 bridges.

The State manages its roads using the Present Serviceability Rating (PSR), which measures the condition of the pavement and its ability to serve the traveling public. The PSR uses a five-point scale (5 excellent, 0 impassable) to characterize the condition of the roadway. The State's serviceability rating goal is 3.23 for the overall system. The most recent assessment indicated that an overall rating of 3.69 was achieved for fiscal year 2011.

The State manages its bridges using the Arizona Bridge Information and Storage System. The State determines the condition rating based on standards developed by the Federal Highway Administration and additional internal criteria. It is the policy of the State to maintain a Condition Rating Index (CRI) of 92.5% or better. In fiscal year 2011, a CRI of 93.1% was obtained.

In addition to many smaller projects, each of the following major highway construction projects in excess of $10.000 million were started during fiscal year 2011 (expressed in thousands):

Project Description	Contract Start Date	Contract Amount	Current Year Expenditures [1]
System enhancement/traffic management engineering State Route 101 Interstate 10 – Tatum Boulevard in Maricopa County.	12/17/10	$ 89,955	$ 51,875
System enhancement/traffic management engineering State Route 202L HOV Lanes, Gilbert Road to Interstate 10 in Maricopa County.	7/16/10	84,689	57,611
Capacity additions and major widening on Interstate 10 Interstate 8 to State Route 87 (Sunland Gin Road to Picacho Peak TI) in Pinal County.	8/4/10	31,313	17,975
Capacity additions and reconstruction on Interstate 10 Val Vista Road to Earley Road in Pinal County.	10/15/10	31,279	4,306
Capacity additions and reconstruction on State Route 260 in Doubtful Canyon in Gila County.	10/15/10	29,359	4,583
Capacity additions and reconstruction on Interstate 10 and State Route 90 traffic interchange in Cochise County.	9/1/10	27,602	9,752
System enhancement/traffic management engineering State Route 143 Sky Harbor Boulevard traffic interchange in Maricopa County.	10/15/10	17,817	5,244
Capacity additions and major widening on US Highway 93 at Deluge Wash in Mohave County.	11/19/10	13,848	4,529
System enhancements/safety improvements on State Route 85 at Gila Bend in Maricopa County.	12/17/10	13,474	2,782
System enhancement regional supplemental noise walls in Maricopa County.	3/18/11	13,256	1,716
Capacity additions and major widening on US Highway 93 at Wagon Bow Ranch in Mohave County.	11/19/10	12,089	3,605
Construction of new bridges on State Route 89A at Viewpoint Drive traffic interchange in Yavapai County.	10/15/10	11,352	5,538
Pavement preservation Interstate 10 State Line to Fortuna in Yuma County.	1/21/11	10,994	6,816

[1] Construction expenditures are strictly those costs paid to the primary contractor for each project shown.

In addition to many smaller projects, the following major highway construction projects had expenditures in excess of $15.000 million in fiscal year 2011 (expressed in thousands):

Project Description	Project Expenditures [2]
State Route 202L HOV Lanes, Gilbert Road to Interstate 10 in Maricopa County.	$ 61,486
State Route 101 Interstate 10 - Tatum Boulevard in Maricopa County.	54,570
State Route 303L Interstate10/State Route 303L Traffic Interchange in Maricopa County.	47,032
Interstate 10 Salt River to Baseline Road in Maricopa County.	39,921
State Route 303L Lake Pleasant Parkway to Interstate 17 in Maricopa County.	31,961
State Route 303L from Happy Valley Parkway to Lake Pleasant Parkway in Maricopa County.	22,720
US Highway 93 at Hoover Dam in Mohave County.	22,038
Interstate 10 Sarival Avenue to Dysart Road in Maricopa County.	19,766
Interstate 10 Interstate 8 to State Route 87 (Sunland Gin Road to Picacho Peak TI) in Pinal County.	18,830
State Route 260 at Little Green Valley in Gila County.	16,170
US Highway 60/Grand Ave State Route 303L to 99th Avenue in Maricopa County.	16,105

[2]Project expenditures include not only construction costs, but also engineering and design work, payroll (if applicable), and any other project related costs.

More detailed information regarding capital assets is on pages 95 and 96.

Long-term debt:

The State issues no general obligation debt instruments. The Arizona Constitution, under Article 9, Section 5, provides that the State may contract debts not to exceed $350 thousand. This provision has been interpreted to restrict the State from pledging its credit as a sole payment for debts incurred for the operation of the State government. As a result, the

State pledges either dedicated revenue streams or the constructed building or equipment acquired as security for the repayment of long-term debt instruments.

Major long-term debt activity during the current fiscal year included the following:

¿ The State issued revenue bonds and grant anticipation notes totaling $338.585 million to pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Arizona and the costs of issuing the bonds.

¿ The Universities issued revenue bonds for $125.305 million to fund the acquisition, construction, or renovation of capital facilities and infrastructure.

¿ The State issued $150.110 million of certificates of participation to finance: (i) the costs of acquiring leasehold interests in school sites and certain school facilities, which will be subleased to various schools districts within the State, as well as the costs of other new school facilities, (ii) current year debt service on various outstanding certificates of participation, and (iii) to pay the costs of the issuances.

State of Arizona-Primary Government
Outstanding Major Long-Term Debt as of June 30, 2011
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue bonds	$ 3,529,115	$ 3,522,605	$ 1,742,125	$ 1,692,825	$ 5,271,240	$ 5,215,430
Grant anticipation notes	392,495	304,480	-	-	392,495	304,480
Certificates of participation	2,611,255	2,571,125	812,706	840,719	3,423,961	3,411,844
Capital leases	400,540	412,919	167,841	171,448	568,381	584,367
Total	$ 6,933,405	$ 6,811,129	$ 2,722,672	$ 2,704,992	$ 9,656,077	$ 9,516,121

More detailed information regarding long-term debt begins on page 101.

ECONOMIC CONDITION AND OUTLOOK

After three years of stagnation, the State economy has begun to display some signs of growth. However, by historical standards, the State's recent growth is relatively mild, and only slight acceleration is seen for 2012.

The State economy added net jobs in 2011. According to the Arizona Department of Administration, Office of Employment and Population Statistics, an over-the-year gain of 15,500 nonfarm jobs is expected in 2011 and 29,900 in 2012. The rate of growth projected for total nonfarm employment is 0.7% in 2011 and 1.2% in 2012.

Aggregate personal income growth in the State, as reported by the Bureau of Economic Analysis, displayed some signs of growth in 2011. However, the growth rate was low by historical standards. Slightly faster growth (6% or higher) is expected to return in 2012.

By most accounts, 2009 and 2010 were the slowest years for domestic in-migration in the State's recorded history. Boosted by attractive housing prices and the rapid rate of Baby Boomer retirements, modest in-migration improvement is expected in 2011.

The risks to the State's economy remain significant, particularly under the scenario in which the U.S. falls back into recession. A national recession would significantly delay recovery in the State, since it would damage our cyclically sensitive sectors while impeding the in-migration flow that has been historically responsible for considerable growth.

Due to weak economic conditions and an on-going structural deficit, the State Legislature enacted a series of laws to eliminate a General Fund projected fiscal year 2011 ending balance shortfall. The enacted fiscal year 2011 budget presumed the passage at the November 2010 general election of 2 ballot measures that would have transferred fund

balances to the General Fund. The failure of the ballot measures, along with adjustments to the fiscal year 2011 beginning balance, due to a greater than expected decline in fiscal year 2010 revenues and revised fiscal year 2011 revenue forecasts, led to an ending balance shortfall of $543 million.

The State Legislature enacted mid-year fiscal year 2011 solutions to address $211 million of this shortfall that included cuts to State agencies' General Fund spending authority and transfers from other funds. The projected shortfall carry forward of $332 million was resolved as part of the fiscal year 2012 budget.

After adjusting for the fiscal year 2011 carry forward, the total General Fund projected fiscal year 2012 ending balance shortfall was $1.5 billion. The State Legislature enacted a series of laws in the fiscal year 2012 budget that not only eliminated the shortfall but resulted in a projected surplus. Furthermore, enacted laws addressed the unprecedented level of structural deficit in a sustainable manner. Enacted solutions included a budget cut of $524 million from Medicaid waiver plan savings, along with a series of policy changes necessary to implement these cuts. Collectively these actions are known as the Medicaid Reform Plan. Additionally, budget cuts of $198 million and $199 million were enacted for the Universities and K-12, respectively. Funding for all of these programs was impacted by the ARRA federal stimulus funds that began expiring in fiscal year 2011.

The General Fund budget shortfalls for fiscal year 2011 and 2012 are part of the State government's larger and ongoing structural deficit. Significant progress has been made towards eliminating this structural deficit. A previously remaining structural deficit of $1.5 billion was reduced by half with the difficult cuts enacted in the fiscal year 2011 budget. The fiscal year 2012 budget makes even greater progress, reducing the current structural deficit to a projected $396 million.

CONTACTING THE STATE COMPTROLLER'S OFFICE

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Arizona Department of Administration, General Accounting Office, Financial Reporting Section at (602) 542-5405. You may also access and print this report at http://www.gao.az.gov/financials/.

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the component unit. Contact information regarding the component units begins on **page 70**.

BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

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STATE OF ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2011
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash	$ 6,019	$ 430,378	$ 436,397	$ 36,251
Cash with U.S. Treasury	-	16,865	16,865	-
Cash and pooled investments with State Treasurer	1,504,897	76,723	1,581,620	152,504
Restricted cash and pooled investments with State Treasurer	452,820	71,694	524,514	-
Cash held by trustee	-	-	-	6,396
Collateral investment pool	410,056	44,640	454,696	2,693
Short-term investments	-	134,580	134,580	172,596
Restricted investments held by trustee	-	-	-	16,135
Receivables, net of allowances:				
Taxes	558,231	89,269	647,500	2,411
Interest	175,495	3,561	179,056	11,876
Loans and notes	63,967	7,693	71,660	-
Patient accounts receivable	-	-	-	109,193
Other	191,471	196,153	387,624	49,853
Internal balances	(182,139)	182,139	-	-
Due from U.S. Government	453,015	85,944	538,959	-
Due from local governments	19,596	-	19,596	-
Due from others	210,557	-	210,557	-
Inventories, at cost	17,816	20,941	38,757	15,187
Other current assets	36,419	6,343	42,762	9,446
Total Current Assets	3,918,220	1,366,923	5,285,143	584,541
Noncurrent Assets:				
Restricted assets:				
Cash	1	18,087	18,088	-
Cash and pooled investments with State Treasurer	1,156,579	-	1,156,579	10,465
Cash held by trustee	93,180	225,859	319,039	23,164
Investments	2,924	-	2,924	-
Investments held by trustee	-	178,059	178,059	100,647
Receivables, net of allowances:				
Loans and notes	294,761	31,572	326,333	1,190,869
Other	-	14,489	14,489	14,233
Securities held in escheat	54,723	-	54,723	-
Investments	-	684,151	684,151	115,352
Endowment investments	3,220,117	296,321	3,516,438	-
Deferred outflow - interest rate swap	-	10,028	10,028	-
Other noncurrent assets	13,440	20,559	33,999	40,393
Capital assets:				
Infrastructure, land, and other non-depreciable	18,287,824	609,643	18,897,467	59,962
Buildings, equipment, and other depreciable, net of accumulated depreciation	1,522,006	3,170,937	4,692,943	384,654
Total Noncurrent Assets	24,645,555	5,259,705	29,905,260	1,939,739
Total Assets	28,563,775	6,626,628	35,190,403	2,524,280

The Notes to the Financial Statements are an integral part of this statement.

(Continued)

STATE OF ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2011
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	$ 591,300	$ 120,615	$ 711,915	$ 60,081
Payable for securities purchased	-	2,143	2,143	-
Accrued liabilities	730,694	133,848	864,542	108,550
Obligations under securities loan agreements	410,056	44,640	454,696	2,693
Tax refunds payable	614	-	614	-
Due to U.S. Government	4,996	246,310	251,306	-
Due to local governments	1,201,913	31	1,201,944	-
Due to others	252,601	71,195	323,796	-
Unearned deferred revenue	87,301	133,055	220,356	-
Current portion of accrued insurance losses	51,861	24,718	76,579	9,687
Current portion of long-term debt	402,219	93,837	496,056	81,500
Current portion of other long-term liabilities	154,950	15,930	170,880	10,012
Total Current Liabilities	3,888,505	886,322	4,774,827	272,523
Noncurrent Liabilities:				
Unearned deferred revenue	80,597	10,270	90,867	2,545
Contracts payable	-	4,651	4,651	-
Accrued insurance losses	310,942	389,022	699,964	24,106
Funds held for others	-	16,276	16,276	-
Long-term debt	6,932,703	2,660,156	9,592,859	1,376,069
Derivative instrument - interest rate swap	-	10,028	10,028	-
Other long-term liabilities	142,756	54,921	197,677	6,723
Total Noncurrent Liabilities	7,466,998	3,145,324	10,612,322	1,409,443
Total Liabilities	11,355,503	4,031,646	15,387,149	1,681,966
NET ASSETS				
Invested in capital assets, net of related debt	16,326,569	1,397,683	17,724,252	117,536
Restricted for:				
General government	45,580	-	45,580	-
Health and welfare	139,197	-	139,197	-
Inspection and regulation	4,067	-	4,067	-
Education	512,772	-	512,772	-
Protection and safety	25,948	-	25,948	-
Natural resources	11,491	-	11,491	-
Capital projects	666,547	6,065	672,612	-
Debt service	3,264	17,557	20,821	23,988
Permanent funds and University funds:				
Expendable	129,835	217,756	347,591	-
Nonexpendable	3,586,826	183,867	3,770,693	-
Loans and other financial assistance:				
Expendable	-	76,192	76,192	396,791
Other purposes	-	-	-	22,437
Unrestricted (deficit)	(4,243,824)	695,862	(3,547,962)	281,562
Total Net Assets	$ 17,208,272	$ 2,594,982	$ 19,803,254	$ 842,314

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF FINANCIAL POSITION
UNIVERSITIES - AFFILIATED COMPONENT UNITS
JUNE 30, 2011
(Expressed in Thousands)

ASSETS		
Cash and cash equivalent investments	$	92,935
Receivables:		
Pledges receivable		120,093
Other receivables		19,560
Total receivables		139,653
Investments:		
Investments in securities		1,341,374
Other investments		54,478
Total investments		1,395,852
Net direct financing leases		122,199
Property and equipment, net of accumulated depreciation		404,773
Licenses		5,129
Other assets		47,305
Total Assets		2,207,846
LIABILITIES		
Accounts payable and accrued liabilities		35,918
Liability under endowment trust agreements		296,266
Long-term debt		644,232
Deferred revenue		30,372
Other liabilities		33,089
Total Liabilities		1,039,877
NET ASSETS		
Permanently restricted		764,674
Temporarily restricted		375,344
Unrestricted		27,951
Total Net Assets	$	1,167,969

The Notes to the Financial Statements are an integral part of this statement.

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STATE OF ARIZONA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	$ 929,107	$ 191,738	$ 345,488	$ -
Health and welfare	12,558,119	124,113	10,144,789	-
Inspection and regulation	149,649	149,890	21,139	-
Education	5,467,543	67,830	1,693,623	-
Protection and safety	1,299,205	129,958	108,572	1,226
Transportation	857,194	114,453	220,759	743,718
Natural resources	196,210	59,732	45,643	615
Intergovernmental revenue sharing	2,462,178	-	-	-
Interest on long-term debt	341,801	-	-	-
Total Governmental Activities	24,261,006	837,714	12,580,013	745,559
Business-type Activities:				
Universities	3,533,977	1,601,077	1,180,650	14,799
Unemployment Compensation	1,655,364	415,887	1,031,292	-
Industrial Commission Special Fund	27,196	21,661	-	-
Lottery	439,069	583,537	-	-
Other	115,442	122,954	731	-
Total Business-type Activities	5,771,048	2,745,116	2,212,673	14,799
Total Primary Government	$ 30,032,054	$ 3,582,830	$ 14,792,686	$ 760,358
COMPONENT UNITS:				
Water Infrastructure Finance Authority	$ 59,686	$ 37,931	$ 29,975	$ -
UA Healthcare	1,107,264	1,118,242	-	2,897
Arizona Power Authority	28,852	29,068	-	-
Rio Nuevo	7,925	3,831	-	-
Greater Arizona Development Authority	211	-	-	-
Total Component Units	$ 1,203,938	$ 1,189,072	$ 29,975	$ 2,897
General Revenues:				
Taxes:				
Sales				
Income				
Tobacco				
Property				
Motor vehicle and fuel				
Other				
Unrestricted investment earnings				
Unrestricted grants and contributions				
(Loss) on sale of trust land				
Miscellaneous				
Contributions to permanent endowments				
Extraodinary Items:				
Insurance recovery, net of impairment loss				
Transfers				
Total General Revenues, Contributions, Extraordinary Items, and Transfers				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

The Notes to the Financial Statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
$ (391,881)		$ (391,881)	
(2,289,217)		(2,289,217)	
21,380		21,380	
(3,706,090)		(3,706,090)	
(1,059,449)		(1,059,449)	
221,736		221,736	
(90,220)		(90,220)	
(2,462,178)		(2,462,178)	
(341,801)		(341,801)	
(10,097,720)		(10,097,720)	
	$ (737,451)	(737,451)	
	(208,185)	(208,185)	
	(5,535)	(5,535)	
	144,468	144,468	
	8,243	8,243	
	(798,460)	(798,460)	
(10,097,720)	(798,460)	(10,896,180)	
			$ 8,220
			13,875
			216
			(4,094)
			(211)
			18,006
5,942,250	52,913	5,995,163	13,245
3,366,783	-	3,366,783	-
320,657	-	320,657	-
32,038	-	32,038	-
1,565,525	-	1,565,525	-
550,430	-	550,430	-
29,183	68,401	97,584	23,459
16,468	-	16,468	-
(154,359)	-	(154,359)	-
140,854	50,510	191,364	-
-	3,656	3,656	-
-	3,884	3,884	-
(734,892)	734,892	-	-
11,074,937	914,256	11,989,193	36,704
977,217	115,796	1,093,013	54,710
16,231,055	2,479,186	18,710,241	787,604
$ 17,208,272	$ 2,594,982	$ 19,803,254	$ 842,314

STATE OF ARIZONA
STATEMENT OF ACTIVITIES
UNIVERSITIES - AFFILIATED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES				
Contributions	$ 12,285	$ 87,712	$ 27,883	$ 127,880
Rental revenue	50,939	-	-	50,939
Sales and services	40,297	233	-	40,530
Net investment income	44,760	64,538	53,065	162,363
Net assets released from restrictions	127,602	(111,427)	(16,175)	-
Licensing revenue	3,220	-	-	3,220
Other revenues	29,576	4,401	150	34,127
Total Revenues	308,679	45,457	64,923	419,059
EXPENSES				
Program services:				
Payments to Universities	108,150	-	-	108,150
Leasing related expenses	8,936	-	-	8,936
Payments on behalf of Universities	16,351	-	-	16,351
Other program services	6,899	-	-	6,899
Management and general expenses	68,405	-	-	68,405
Fundraising expenses	8,545	-	-	8,545
Interest	28,175	-	-	28,175
Depreciation and amortization	22,375	-	-	22,375
Other expenses	8,832	5,500	-	14,332
Total Expenses	276,668	5,500	-	282,168
Increase in Net Assets	32,011	39,957	64,923	136,891
Net Assets - Beginning	(4,507)	336,414	699,171	1,031,078
Transfers	447	(1,027)	580	-
Net Assets - Ending	$ 27,951	$ 375,344	$ 764,674	$ 1,167,969

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011
(Expressed in Thousands)

	GENERAL FUND	TRANSPORTATION & AVIATION PLANNING, HIGHWAY MAINTENANCE & SAFETY FUND	LAND ENDOWMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
ASSETS					
Cash	$ 1,606	$ -	$ 28	$ 4,385	$ 6,019
Cash and pooled investments with State Treasurer	628,675	40,778	63,846	475,930	1,209,229
Collateral investment pool	48,587	9,861	335,057	16,551	410,056
Receivables, net of allowances:					
Taxes	423,267	66,422	-	68,542	558,231
Interest	42	-	175,453	-	175,495
Loans and notes	-	6,217	352,511	-	358,728
Other	137,593	9,351	9,372	25,202	181,518
Due from U.S. Government	314,243	133,445	-	1,019	448,707
Due from local governments	19,596	-	-	-	19,596
Due from other Funds	46,274	1,759	226	20,602	68,861
Inventories, at cost	4,679	9,765	-	56	14,500
Restricted assets:					
Cash	1	-	-	-	1
Cash and pooled investments with State Treasurer	39,674	788,489	-	781,236	1,609,399
Cash held by trustee	81,762	-	-	11,418	93,180
Investments	2,924	-	-	-	2,924
Securities held in escheat	54,723	-	-	-	54,723
Endowment investments	-	-	3,220,117	-	3,220,117
Other	41	30,734	-	-	30,775
Total Assets	$ 1,803,687	$ 1,096,821	$ 4,156,610	$ 1,404,941	$ 8,462,059
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	$ 293,873	$ 154,539	$ 9,285	$ 45,534	$ 503,231
Accrued liabilities	268,846	13,643	341	26,316	309,146
Obligations under securities loan agreements	48,587	9,861	335,057	16,551	410,056
Tax refunds payable	614	-	-	-	614
Due to U.S. Government	4,996	-	-	-	4,996
Due to local governments	1,026,941	107,525	-	67,447	1,201,913
Due to others	232,242	-	1	20,358	252,601
Due to other Funds	209,780	14,810	134	22,684	247,408
Unavailable deferred revenue	349,498	6,217	521,355	797	877,867
Unearned deferred revenue	71,471	-	95,131	1,276	167,878
Total Liabilities	2,506,848	306,595	961,304	200,963	3,975,710
Fund Balances:					
Nonspendable	716	9,765	3,234,315	-	3,244,796
Restricted	317,471	653,649	-	878,343	1,849,463
Committed	141,183	126,812	-	325,635	593,630
Unassigned	(1,162,531)	-	(39,009)	-	(1,201,540)
Total Fund Balances	(703,161)	790,226	3,195,306	1,203,978	4,486,349
Total Liabilities and Fund Balances	$ 1,803,687	$ 1,096,821	$ 4,156,610	$ 1,404,941	$ 8,462,059

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2011

(Expressed in Thousands)

Total fund balances - governmental funds		$ 4,486,349
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		19,750,895
Certain receivables related to reimbursements are not available at year end and, therefore, are not reported in the governmental funds.		211,884
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		877,867
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		(204,046)
The allocation of the internal service fund accumulated net gain results in an amount due to business-type activities, which is not reported in the governmental funds.		(4,092)
Deferred issue costs are reported as current expenditures in the governmental funds. However, deferred issue costs are amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Assets.		13,440
Long-term debt is not due and payable from current financial resources and, therefore, is not reported in the governmental funds. These amounts consist of:		
Revenue bonds	(3,529,115)	
Grant anticipation notes	(392,495)	
Certificates of participation	(2,611,255)	
Capital leases	(400,540)	
Installment purchase contracts	(245)	
Notes payable	(59,891)	
Premium on debt	(342,602)	
Deferred amounts on refundings	1,221	(7,334,922)
Accrued liabilities for AHCCCS programmatic costs and reimbursements are not due and payable from current financial resources and, therefore, are not reported in the governmental funds.		(379,287)
Accrued interest on long-term obligations is not due and payable from current financial resources and, therefore, is not reported in the governmental funds.		(40,776)
Other long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the governmental funds. Those liabilities consist of:		
Compensated absences	(147,479)	
Pollution remediation obligations	(21,561)	(169,040)
Net assets of governmental activities		$ 17,208,272

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

(Expressed in Thousands)

	GENERAL FUND	TRANSPORTATION & AVIATION PLANNING, HIGHWAY MAINTENANCE & SAFETY FUND	LAND ENDOWMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES					
Taxes:					
Sales	$ 5,301,950	$ 206,545	$ -	$ 462,646	$ 5,971,141
Income	3,398,894	-	-	78	3,398,972
Tobacco	66,558	-	-	254,099	320,657
Property	22,239	9,799	-	-	32,038
Motor vehicle and fuel	55,839	1,350,126	-	159,560	1,565,525
Other	457,002	-	-	93,428	550,430
Intergovernmental	12,009,267	966,624	-	43,853	13,019,744
Licenses, fees, and permits	102,623	98,780	640	250,586	452,629
Earnings on investments	14,862	5,351	409,217	8,638	438,068
Sales and charges for services	94,285	798	79,800	11,442	186,325
Fines, forfeitures, and penalties	38,205	-	-	146,745	184,950
Gaming	5,656	-	-	74,799	80,455
Tobacco settlement	99,130	-	-	-	99,130
Proceeds from sale of trust land	-	-	95,500	-	95,500
Other	102,672	15,476	1,358	45,152	164,658
Total Revenues	21,769,182	2,653,499	586,515	1,551,026	26,560,222
EXPENDITURES					
Current:					
General government	827,400	-	-	105,913	933,313
Health and welfare	12,567,149	-	4,428	246,891	12,818,468
Inspection and regulation	44,520	-	-	109,198	153,718
Education	4,879,624	-	25,561	562,510	5,467,695
Protection and safety	1,068,160	-	1,379	219,038	1,288,577
Transportation	44	754,332	-	66,041	820,417
Natural resources	86,095	-	8,140	97,194	191,429
Intergovernmental revenue sharing	1,437,422	1,022,512	-	-	2,459,934
Debt service:					
Principal	70,182	12,909	-	300,500	383,591
Interest and other fiscal charges	72,259	36	-	285,459	357,754
Capital outlay	77,016	443,124	96	304,181	824,417
Total Expenditures	21,129,871	2,232,913	39,604	2,296,925	25,699,313
Excess (Deficiency) of Revenues Over Expenditures	639,311	420,586	546,911	(745,899)	860,909
OTHER FINANCING SOURCES (USES)					
Transfers in	283,421	801	60	577,758	862,040
Transfers out	(1,032,420)	(338,854)	(26,618)	(176,514)	(1,574,406)
Proceeds from sale of capital assets	-	3,712	-	-	3,712
Capital lease and installment purchase contracts	-	4,583	-	-	4,583
Proceeds from notes and loans	-	11,113	-	-	11,113
Bonds issued	-	-	-	180,000	180,000
Grant anticipation notes issued	-	-	-	158,585	158,585
Certificates of participation issued	150,110	-	-	-	150,110
Premium on debt issued	3,415	-	-	38,876	42,291
Total Other Financing Sources (Uses)	(595,474)	(318,645)	(26,558)	778,705	(161,972)
Net Change in Fund Balances	43,837	101,941	520,353	32,806	698,937
Fund Balances - Beginning, as restated	(746,998)	688,285	2,674,953	1,171,172	3,787,412
Fund Balances - Ending	$ (703,161)	$ 790,226	$ 3,195,306	$ 1,203,978	$ 4,486,349

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ 698,937
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of assets is allocated over their estimated useful lives and reported as depreciation expense. Also, infrastructure was adjusted to primarily reflect reduction in construction in progress resulting from certain infrastructure projects being reclassified from capital outlay to non-capital. This is the amount by which capital outlays exceeded depreciation and infrastructure adjustments in the current period.		
Capital outlay	824,417	
Infrastructure adjustment	(32,564)	
Depreciation expense	(104,723)	687,130
The net revenue of the internal service funds is included with governmental activities in the Statement of Activities.		80,622
Net change in certain revenues reported in the Statement of Activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds.		
Sales taxes	(28,891)	
Income taxes	(32,189)	
Operating grants	(223,898)	
Right-of-way lease revenue	(1,065)	
Other revenue	(71)	(286,114)
Trust land sales are financed with long-term mortgages. In the Statement of Activities, the loss on sale of trust land is reported, whereas in the governmental funds, the proceeds from the collection of mortgage payments are reported. In addition, accrued interest on land sales' contracts are reported as revenues in the Statement of Activities but are not reported as revenues in the governmental funds. In fiscal year 2011, mortgage payments exceeded gains resulting from current year land sales. Additionally, an increase in the allowance for doubtful accounts does not require the use of current financial resources and, therefore, is not reported in the governmental funds.		
Excess of mortgage receipts over gain on sale of land	(73,225)	
Increase in allowance for doubtful accounts	(176,634)	(249,859)
Accrued interest on land sales' contracts	40,439	
Increase in allowance for doubtful accounts	(105,296)	(64,857)
Certain expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
AHCCCS accrued programmatic costs	245,679	
Compensated absences	15,436	
Pollution remediation obligations	(371)	
Interest on long-term obligations	(15,308)	
Other expenses	(2,248)	243,188

The Notes to the Financial Statements are an integral part of this statement.

(Continued)

STATE OF ARIZONA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

(Expressed in Thousands)

Bond proceeds provide current financial resources to the governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. In the current period, proceeds were received from:		
Bonds issued	(180,000)	
Grant anticipation notes issued	(158,585)	
Certificates of participation issued	(150,110)	
Proceeds from notes and loans	(11,113)	
Bond issuance costs	2,099	
Premium on debt issued	(42,291)	(540,000)
Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:		
Debt service principal	383,591	
Debt premium/discount amortization	34,410	
Amortization of bond issuance costs	(1,272)	
Amortization of deferred amount	(3,976)	412,753
Some capital asset additions were financed through capital leases and installment purchase contracts. Such financing arrangements are reported as an other financing source in the governmental funds; however, these amounts are reported as liabilities in the Statement of Net Assets.		(4,583)
Change in net assets of governmental activities		$ 977,217

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION SPECIAL FUND	LOTTERY	OTHER
ASSETS					
Current Assets:					
Cash	$ 387,115	$ -	$ 38,267	$ -	$ 4,996
Cash with U.S. Treasury	-	16,865	-	-	-
Cash and pooled investments with State Treasurer	8,213	-	5,113	43,843	19,554
Restricted cash and pooled investments with State Treasurer	-	-	-	-	71,694
Collateral investment pool	-	-	43,728	-	912
Short-term investments	134,580	-	-	-	-
Receivables, net of allowances:					
Taxes	-	84,803	4,466	-	-
Interest	668	-	2,782	-	111
Loans and notes	3,799	-	-	-	3,894
Other	124,410	53,522	1,839	8,018	8,364
Due from U.S. Government	85,872	-	-	-	72
Due from other Funds	203,515	-	-	-	107
Inventories, at cost	10,560	-	-	4,074	6,307
Other current assets	5,736	-	-	-	607
Total Current Assets	964,468	155,190	96,195	55,935	116,618
Noncurrent Assets:					
Restricted assets:					
Cash	18,087	-	-	-	-
Cash held by trustee	225,859	-	-	-	-
Investments held by trustee	178,059	-	-	-	-
Receivables, net of allowances:					
Loans and notes	31,042	-	-	-	530
Other	14,489	-	-	-	-
Investments	345,833	-	338,318	-	-
Endowment investments	296,321	-	-	-	-
Deferred outflow - interest rate swap	10,028	-	-	-	-
Other noncurrent assets	11,510	-	-	9,049	-
Capital assets:					
Land and other non-depreciable	603,591	-	2,997	1,014	2,041
Buildings, equipment, and other depreciable, net of accumulated depreciation	3,136,612	-	13,928	2,240	18,157
Total Noncurrent Assets	4,871,431	-	355,243	12,303	20,728
Total Assets	5,835,899	155,190	451,438	68,238	137,346

The Notes to the Financial Statements are an integral part of this statement.

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
$ 430,378	$ -
16,865	-
76,723	295,668
71,694	-
44,640	-
134,580	-
89,269	-
3,561	-
7,693	-
196,153	9,953
85,944	2,977
203,622	1,976
20,941	3,317
6,343	5,644
1,388,406	319,535
18,087	-
225,859	-
178,059	-
31,572	-
14,489	-
684,151	-
296,321	-
10,028	-
20,559	-
609,643	-
3,170,937	58,935
5,259,705	58,935
6,648,111	378,470

(Continued)

STATE OF ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION SPECIAL FUND	LOTTERY	OTHER
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	$ 110,297	$ -	$ 5,873	$ 2,775	$ 1,670
Payable for securities purchased	-	-	2,143	-	-
Accrued liabilities	108,402	20,657	-	363	4,426
Obligations under securities loan agreements	-	-	43,728	-	912
Due to U.S. Government	-	246,310	-	-	-
Due to local governments	-	-	-	-	31
Due to others	14,687	27,291	-	29,217	-
Due to other Funds	-	518	-	25,056	1
Unearned deferred revenue	126,203	-	46	-	6,806
Current portion of accrued insurance losses	-	-	24,718	-	-
Current portion of long-term debt	93,727	-	-	-	110
Current portion of other long-term liabilities	14,638	-	-	311	981
Total Current Liabilities	467,954	294,776	76,508	57,722	14,937
Noncurrent Liabilities:					
Unearned deferred revenue	10,270	-	-	-	-
Contracts payable	-	-	-	-	4,651
Accrued insurance losses	-	-	389,022	-	-
Funds held for others	16,276	-	-	-	-
Long-term debt	2,660,136	-	-	-	20
Derivative instrument - interest rate swap	10,028	-	-	-	-
Other long-term liabilities	54,835	-	-	-	86
Total Noncurrent Liabilities	2,751,545	-	389,022	-	4,757
Total Liabilities	3,219,499	294,776	465,530	57,722	19,694
NET ASSETS					
Invested in capital assets, net of related debt	1,357,436	-	16,925	3,254	20,068
Restricted for:					
Capital projects	6,065	-	-	-	-
Debt service	17,557	-	-	-	-
Universities fund:					
Expendable	217,756	-	-	-	-
Nonexpendable	183,867	-	-	-	-
Loans and other financial assistance:					
Expendable	-	-	-	-	76,192
Unrestricted (deficit)	833,719	(139,586)	(31,017)	7,262	21,392
Total Net Assets	$ 2,616,400	$ (139,586)	$ (14,092)	$ 10,516	$ 117,652

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Net assets of business-type activities

The Notes to the Financial Statements are an integral part of this statement.

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
$ 120,615	$ 88,067
2,143	-
133,848	1,484
44,640	-
246,310	-
31	-
71,195	-
25,575	1,476
133,055	20
24,718	51,861
93,837	-
15,930	9,164
911,897	152,072
10,270	-
4,651	-
389,022	310,942
16,276	-
2,660,156	-
10,028	-
54,921	119,502
3,145,324	430,444
4,057,221	582,516
1,397,683	58,935
6,065	-
17,557	-
217,756	-
183,867	-
76,192	-
691,770	(262,981)
$ 2,590,890	$ (204,046)
4,092	
$ 2,594,982	

STATE OF ARIZONA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION SPECIAL FUND	LOTTERY	OTHER
OPERATING REVENUES					
Sales and charges for services:					
Student tuition and fees, net of scholarship allowances of $387,490	$ 1,165,747	$ -	$ -	$ -	$ -
Auxiliary enterprises, net of scholarship allowances of $19,465	355,085	-	-	-	-
Educational department	80,245	-	-	-	-
Lottery	-	-	-	583,537	-
Other	-	-	-	-	122,800
Unemployment assessments	-	414,044	-	-	-
Workers' compensation assessments	-	-	20,163	-	-
Intergovernmental	608,325	1,031,230	-	-	731
Nongovernmental grants and contracts	96,954	-	-	-	-
Earnings on investments	-	-	-	-	154
Fines, forfeitures, and penalties	-	1,843	-	-	-
Settlement income	-	-	1,498	-	-
Other	30,369	2,439	-	224	1,657
Total Operating Revenues	2,336,725	1,449,556	21,661	583,761	125,342
OPERATING EXPENSES					
Cost of sales and benefits	891,987	1,649,957	21,863	416,518	73,003
Scholarships and fellowships	213,348	-	-	-	-
Personal services	2,119,721	-	-	5,735	25,540
Contractual services	-	-	-	15,226	7,313
Depreciation and amortization	226,962	-	1,372	307	1,829
Insurance	-	-	-	57	449
Other	-	-	-	1,226	6,450
Total Operating Expenses	3,452,018	1,649,957	23,235	439,069	114,584
Operating Income (Loss)	(1,115,293)	(200,401)	(1,574)	144,692	10,758
NON-OPERATING REVENUES (EXPENSES)					
Share of State sales tax revenues	52,913	-	-	-	-
Intergovernmental	277,514	-	-	-	-
Gifts and donations	166,840	-	-	-	-
Gain (loss) on sale of capital assets	(1,240)	-	-	-	(8)
Investment income	26,037	62	41,590	143	631
Endowment earnings on investments	31,017	-	-	-	-
Other non-operating revenue	13,759	-	1,795	-	1,515
Interest expense	(111,975)	(5,407)	-	-	(25)
Other non-operating expense	(6,980)	-	(3,961)	-	(833)
Total Non-Operating Revenues (Expenses)	447,885	(5,345)	39,424	143	1,280
Income (Loss) Before Contributions, Extraordinary Items, and Transfers	(667,408)	(205,746)	37,850	144,835	12,038
Capital grants and contributions	14,799	-	-	-	-
Contributions to permanent endowments	3,656	-	-	-	-
Extraordinary Items:					
Insurance recovery, net of impairment loss	3,884	-	-	-	-
Transfers in	882,241	-	1,350	-	1,701
Transfers out	-	(1,995)	-	(146,329)	(2,076)
Change in Net Assets	237,172	(207,741)	39,200	(1,494)	11,663
Total Net Assets - Beginning, as restated	2,379,228	68,155	(53,292)	12,010	105,989
Total Net Assets - Ending	$ 2,616,400	$ (139,586)	$ (14,092)	$ 10,516	$ 117,652

Change in net assets of enterprise funds

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Change in net assets of business-type activities

The Notes to the Financial Statements are an integral part of this statement.

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
$ 1,165,747	$ -
355,085	-
80,245	-
583,537	-
122,800	966,884
414,044	-
20,163	-
1,640,286	-
96,954	-
154	-
1,843	-
1,498	-
34,689	292
4,517,045	967,176
3,053,328	722,540
213,348	-
2,150,996	27,878
22,539	32,499
230,470	12,852
506	35,427
7,676	4,591
5,678,863	835,787
(1,161,818)	131,389
52,913	-
277,514	-
166,840	-
(1,248)	109
68,463	20
31,017	-
17,069	160
(117,407)	(1)
(11,774)	-
483,387	288
(678,431)	131,677
14,799	8,467
3,656	-
3,884	-
885,292	3,490
(150,400)	(26,016)
78,800	117,618
2,512,090	(321,664)
$ 2,590,890	$ (204,046)
$ 78,800	
36,996	
$ 115,796	

STATE OF ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION SPECIAL FUND	LOTTERY	OTHER
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ -	$ -	$ -	$ 273,905	$ 122,512
Receipts from assessments	-	412,472	19,638	-	-
Receipts from student tuition and fees	1,136,835	-	-	-	-
Receipts from sales and services of auxiliary enterprises	346,989	-	-	-	-
Receipts from sales and services of educational departments	76,759	-	-	-	-
Receipts from interfund services / premiums	-	-	-	-	-
Receipts from grants and contracts	723,095	1,035,768	-	-	1,200
Receipts from student loans collected	5,445	-	-	-	-
Receipts from repayment of loans to local governments	-	-	-	-	4,381
Receipts from settlement income	-	-	1,498	-	-
Payments to suppliers, prize winners, claimants, insurance companies, or beneficiaries	(861,953)	(1,684,069)	(24,186)	(186,119)	(75,856)
Payments to employees	(2,105,525)	-	-	(5,758)	(38,629)
Payments to retirees	-	-	-	-	-
Payments for scholarships and fellowships	(207,128)	-	-	-	-
Payments for student loans issued	(7,722)	-	-	-	-
Other receipts (payments)	16,499	237,638	-	62,417	(1,246)
Net Cash Provided (Used) by Operating Activities	(876,706)	1,809	(3,050)	144,445	12,362
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Custodial funds received	225,847	-	-	-	-
Office rental receipts	-	-	3,126	-	-
Share of State sales tax receipts	52,855	-	-	-	-
Grants and contributions received	1,221,008	-	-	-	-
Transfers from other Funds	840,787	-	1,350	-	1,701
Custodial funds disbursed	(241,257)	-	-	-	-
Grants and contributions disbursed	(771,633)	-	-	-	-
Transfers to other Funds	-	(1,696)	-	(138,344)	(2,076)
Other receipts (payments)	19,291	-	(2,261)	-	(605)
Net Cash Provided (Used) by Non-capital Financing Activities	1,346,898	(1,696)	2,215	(138,344)	(980)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	253	-	-	-	-
Proceeds from capital debt, installment purchase contracts, and capital leases	132,931	-	-	-	-
Capital grants and contributions received	25,170	-	-	-	-
Transfers from other Funds	20,372	-	-	-	-
Acquisition and construction of capital assets	(476,955)	-	339	(51)	(827)
Interest paid on capital debt, installment purchase contracts, and capital leases	(105,965)	-	-	-	(25)
Principal paid on capital debt, installment purchase contracts, and capital leases	(112,818)	-	-	-	(99)
Other receipts (payments)	2,720	-	(131)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(514,292)	-	208	(51)	(951)

The Notes to the Financial Statements are an integral part of this statement.

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
$ 396,417	$ -
432,110	-
1,136,835	-
346,989	-
76,759	-
-	966,811
1,760,063	-
5,445	-
4,381	-
1,498	-
(2,832,183)	(774,005)
(2,149,912)	(27,767)
-	(14,548)
(207,128)	-
(7,722)	-
315,308	265
(721,140)	150,756
225,847	-
3,126	-
52,855	-
1,221,008	-
843,838	3,490
(241,257)	-
(771,633)	-
(142,116)	(26,016)
16,425	22
1,208,093	(22,504)
253	445
132,931	-
25,170	-
20,372	-
(477,494)	(1,905)
(105,990)	-
(112,917)	-
2,589	138
(515,086)	(1,322)

(Continued)

STATE OF ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION SPECIAL FUND	LOTTERY	OTHER
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	547,435	-	238,261	1,528	104
Interest and dividends from investments	12,081	62	14,567	71	631
Change in cash collateral received from securities lending transactions	-	-	(452)	-	912
Purchase of investments	(703,844)	-	(248,383)	-	-
Other (payments)	-	-	(1,387)	-	(43)
Net Cash Provided (Used) by Investing Activities	(144,328)	62	2,606	1,599	1,604
Net Increase (Decrease) in Cash and Cash Equivalents	(188,428)	175	1,979	7,649	12,035
Cash and Cash Equivalents - Beginning, as restated	827,702	16,690	85,129	36,194	85,121
Cash and Cash Equivalents - Ending	$ 639,274	$ 16,865	$ 87,108	$ 43,843	$ 97,156
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	$ (1,115,293)	$ (200,401)	$ (1,574)	$ 144,692	$ 10,758
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	226,962	-	1,372	307	1,829
Net changes in assets and liabilities:					
(Increase) decrease in receivables, net of allowances	(26,017)	(6,008)	(540)	(856)	5,375
Decrease in due from U.S. Government	-	4,538	-	-	469
Decrease in due from other Funds	-	-	-	-	-
(Increase) decrease in inventories, at cost	5,939	-	-	(147)	(292)
(Increase) decrease in other assets	(2,446)	-	-	(845)	284
Increase (decrease) in accounts payable	8,766	-	(778)	(1,275)	(690)
Increase (decrease) in accrued liabilities	5,483	496	-	2,569	(4,052)
Increase in due to U.S. Government	-	233,250	-	-	-
Increase in due to other Funds	-	-	-	-	-
(Decrease) in due to others	-	(30,066)	-	-	-
Increase (decrease) in deferred revenue	19,900	-	-	-	(1,342)
(Decrease) in accrued insurance losses	-	-	(1,544)	-	-
Increase in other liabilities	-	-	14	-	23
Net Cash Provided (Used) by Operating Activities	$ (876,706)	$ 1,809	$ (3,050)	$ 144,445	$ 12,362
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES					
Contribution of capital assets from other Funds	$ -	$ -	$ -	$ -	$ -
Gifts and conveyances of capital assets	644	-	-	-	-
(Loss) on disposal of capital assets, net	(1,694)	-	-	-	-
Increase in fair value of investments	17,242	-	26,745	-	-
Amortization of bond discount and issuance costs	(2,352)	-	-	-	-
Amortization of bond premium	1,695	-	-	-	-
Amortization of deferred rent	4,900	-	-	-	-
Amortization of deferred costs of refundings	1,470	-	-	-	-
Total Noncash Investing, Capital and Non-capital Financing Activities	$ 21,905	$ -	$ 26,745	$ -	$ -

The Notes to the Financial Statements are an integral part of this statement.

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
787,328	-
27,412	19
460	-
(952,227)	-
(1,430)	-
(138,457)	19
(166,590)	126,949
1,050,836	168,719
$ 884,246	$ 295,668
$ (1,161,818)	$ 131,389
230,470	12,852
(28,046)	(2,109)
5,007	723
-	1,139
5,500	(692)
(3,007)	(620)
6,023	2,566
4,496	78
233,250	-
-	95
(30,066)	-
18,558	20
(1,544)	(10,914)
37	16,229
$ (721,140)	$ 150,756
$ -	$ 8,467
644	-
(1,694)	-
43,987	-
(2,352)	-
1,695	-
4,900	-
1,470	-
$ 48,650	$ 8,467

STATE OF ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011
(Expressed in Thousands)

	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	INVESTMENT TRUSTS	AGENCY FUNDS
ASSETS			
Cash	$ 175,357	$ -	$ 22,649
Cash and pooled investments with State Treasurer	-	-	202,618
Short-term investments	-	-	3,136
Receivables, net of allowances:			
Accrued interest and dividends	72,193	4,510	1
Securities sold	138,747	-	-
Forward contracts receivable	846,038	-	-
Contributions	63,094	-	-
Court fees	807	-	-
Due from other Funds	8,212	-	-
Miscellaneous receivables	13,343	-	-
Total receivables	1,142,434	4,510	1
Due from others	-	-	81,018
Investments, at fair value:			
Temporary investments	2,329,115	-	-
U.S. Government securities	3,843,200	1,059,020	-
Corporate bonds	3,371,185	19,088	-
Corporate notes	-	834,753	-
Corporate stocks	20,287,724	-	-
Global tactical asset allocation	613,987	-	-
Real estate	1,885,709	-	-
Private equity	1,360,857	-	-
Opportunistic investments	984,679	-	-
Collateral investment pool	1,351,615	32,742	-
Repurchase agreements	-	1,660,763	-
FDIC certificates of deposit	-	54,124	-
Negotiable certificates of deposit	-	47,791	-
Other investments	540,119	19,144	-
Total investments	36,568,190	3,727,425	-
Custodial securities in safekeeping	-	-	3,647,112
Other assets	-	-	3,803
Property and equipment, net of accumulated depreciation	4,742	-	-
Total Assets	37,890,723	3,731,935	3,960,337
LIABILITIES			
Accounts payable and other current liabilities	37,983	-	-
Payable for securities purchased	514,441	9,678	-
Management fee payable	-	200	-
Obligation under securities loan agreements	1,351,615	32,742	-
Forward contracts payable	828,207	-	-
Due to local governments	-	286	136,547
Due to others	-	-	3,823,790
Due to other Funds	8,212	-	-
Total Liabilities	2,740,458	42,906	3,960,337
NET ASSETS			
Held in trust for:			
Pension benefits	33,674,681	-	-
Other post-employment benefits	1,475,584	-	-
Pool participants	-	3,689,029	-
Total Net Assets	$ 35,150,265	$ 3,689,029	$ -

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	INVESTMENT TRUSTS
ADDITIONS:		
Member contributions	$ 1,009,846	$ -
Employer contributions	1,192,269	-
Member purchase of service credit	87,550	-
Court fees	9,896	-
Investment income:		
Net increase in fair value of investments	5,837,122	2,845
Interest income	231,781	16,199
Dividends	339,904	-
Other investment income	460,040	-
Securities lending income	19,244	311
Total investment income	6,888,091	19,355
Less investment expenses:		
Investment activity expenses	150,536	2,333
Securities lending expenses	2,353	311
Net investment income	6,735,202	16,711
Capital share and individual account transactions:		
Shares sold	-	4,532,760
Reinvested interest income	-	13,020
Shares redeemed	-	(4,996,704)
Net capital share and individual account transactions	-	(450,924)
Other additions	7,222	-
Total Additions	9,041,985	(434,213)
DEDUCTIONS:		
Retirement, disability, and survivor benefits	2,998,963	-
Refunds to withdrawing members, including interest	217,840	-
Administrative expense	37,456	-
Dividends to investors	-	14,676
Other deductions	8,591	-
Total Deductions	3,262,850	14,676
Change in net assets held in trust for:		
Pension benefits	5,549,525	-
Other post-employment benefits	229,610	-
Pool participants	-	(448,889)
Net Assets - Beginning	29,371,130	4,137,918
Net Assets - Ending	$ 35,150,265	$ 3,689,029

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2011
(Expressed in Thousands)

	WATER INFRASTRUCTURE FINANCE AUTHORITY	UA HEALTHCARE	ARIZONA POWER AUTHORITY	RIO NUEVO
ASSETS				
Current Assets:				
Cash	$ -	$ 23,073	$ -	$ 13,081
Cash and pooled investments with State Treasurer	145,336	-	5,151	-
Cash held by trustee	6,396	-	-	-
Collateral investment pool	2,693	-	-	-
Short-term investments	-	172,596	-	-
Restricted investments held by trustee	-	11,883	4,252	-
Receivables, net of allowances:				
Taxes	-	-	-	2,411
Interest	11,859	13	-	4
Patient accounts receivable	-	109,193	-	-
Other	6,978	40,267	2,608	-
Inventories, at cost	-	15,187	-	-
Other current assets	-	7,043	2,368	35
Total Current Assets	173,262	379,255	14,379	15,531
Noncurrent Assets:				
Restricted assets:				
Cash and pooled investments with State Treasurer	-	-	-	-
Cash held by trustee	-	-	-	23,164
Investments held by trustee	-	94,100	6,547	-
Loans and notes receivable, net of allowances	1,190,869	-	-	-
Other receivables, net of allowances	-	7,716	-	6,517
Investments	115,352	-	-	-
Other noncurrent assets	4,950	8,790	24,901	1,752
Capital assets:				
Land and other non-depreciable	-	18,069	-	41,893
Buildings, equipment, and other depreciable	101	704,521	1,311	34,805
Less: accumulated depreciation	(101)	(347,468)	(1,192)	(7,323)
Total Noncurrent Assets	1,311,171	485,728	31,567	100,808
Total Assets	1,484,433	864,983	45,946	116,339
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	-	47,531	3,234	9,316
Accrued liabilities	11,403	96,657	490	-
Obligations under securities loan agreements	2,693	-	-	-
Current portion of accrued insurance losses	-	9,687	-	-
Current portion of long-term debt	47,625	20,759	4,585	8,531
Current portion of other long-term liabilities	68	9,944	-	-
Total Current Liabilities	61,789	184,578	8,309	17,847
Noncurrent Liabilities:				
Unearned deferred revenue	2,545	-	-	-
Accrued insurance losses	-	24,106	-	-
Long-term debt	969,251	285,626	33,231	87,961
Other long-term liabilities	-	6,723	-	-
Total Noncurrent Liabilities	971,796	316,455	33,231	87,961
Total Liabilities	1,033,585	501,033	41,540	105,808
NET ASSETS				
Invested in capital assets, net of related debt	-	87,597	119	29,820
Restricted for:				
Debt service	-	-	-	13,523
Loans and other financial assistance	396,791	-	-	-
Other	-	22,437	-	-
Unrestricted	54,057	253,916	4,287	(32,812)
Total Net Assets	$ 450,848	$ 363,950	$ 4,406	$ 10,531

The Notes to the Financial Statements are an integral part of this statement.

GREATER AZ DEVELOPMENT AUTHORITY	TOTAL
$ 97	$ 36,251
2,017	152,504
-	6,396
-	2,693
-	172,596
-	16,135
-	2,411
-	11,876
-	109,193
-	49,853
-	15,187
-	9,446
2,114	584,541
10,465	10,465
-	23,164
-	100,647
-	1,190,869
-	14,233
-	115,352
-	40,393
-	59,962
-	740,738
-	(356,084)
10,465	1,939,739
12,579	2,524,280
-	60,081
-	108,550
-	2,693
-	9,687
-	81,500
-	10,012
-	272,523
-	2,545
-	24,106
-	1,376,069
-	6,723
-	1,409,443
-	1,681,966
-	117,536
10,465	23,988
-	396,791
-	22,437
2,114	281,562
$ 12,579	$ 842,314

STATE OF ARIZONA
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

		PROGRAM REVENUES		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
FUNCTIONS/PROGRAMS				
Water Infrastructure Finance Authority	$ 59,686	$ 37,931	$ 29,975	$ -
UA Healthcare	1,107,264	1,118,242	-	2,897
Arizona Power Authority	28,852	29,068	-	-
Rio Nuevo	7,925	3,831	-	-
Greater Arizona Development Authority	211	-	-	-
Total	$ 1,203,938	$ 1,189,072	$ 29,975	$ 2,897

General Revenues:
Taxes:
Sales
Unrestricted investment earnings
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

The Notes to the Financial Statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS					
WATER INFRASTRUCTURE FINANCE AUTHORITY	UA HEALTHCARE	ARIZONA POWER AUTHORITY	RIO NUEVO	GREATER AZ DEVELOPMENT AUTHORITY	TOTAL
$ 8,220	$ -	$ -	$ -	$ -	$ 8,220
-	13,875	-	-	-	13,875
-	-	216	-	-	216
-	-	-	(4,094)	-	(4,094)
-	-	-	-	(211)	(211)
-	-	-	13,245	-	13,245
6,588	16,346	22	196	307	23,459
14,808	30,221	238	9,347	96	54,710
436,040	333,729	4,168	1,184	12,483	787,604
$ 450,848	$ 363,950	$ 4,406	$ 10,531	$ 12,579	$ 842,314

STATE OF ARIZONA
COMBINING STATEMENT OF FINANCIAL POSITION
UNIVERSITIES - AFFILIATED COMPONENT UNITS
JUNE 30, 2011
(Expressed in Thousands)

	ARIZONA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF ARIZONA FOUNDATION	ARIZONA CAPITAL FACILITIES FINANCE CORPORATION	OTHER COMPONENT UNITS	TOTAL
ASSETS					
Cash and cash equivalent investments	$ 13,101	$ 59,830	$ 2,125	$ 17,879	$ 92,935
Receivables:					
Pledges receivable	76,640	7,422	-	36,031	120,093
Other receivables	2,168	-	810	16,582	19,560
Total receivables	78,808	7,422	810	52,613	139,653
Investments:					
Investments in securities	590,241	584,584	19,816	146,733	1,341,374
Other investments	44,195	5,107	549	4,627	54,478
Total investments	634,436	589,691	20,365	151,360	1,395,852
Net direct financing leases	26,325	-	45,786	50,088	122,199
Property and equipment, net of accumulated depreciation	17,320	13,203	226,476	147,774	404,773
Licenses	-	-	-	5,129	5,129
Other assets	15,172	3,726	5,666	22,741	47,305
Total Assets	785,162	673,872	301,228	447,584	2,207,846
LIABILITIES					
Accounts payable and accrued liabilities	9,517	2,698	9,297	14,406	35,918
Liability under endowment trust agreements	94,261	182,812	-	19,193	296,266
Long-term debt	77,678	-	340,219	226,335	644,232
Deferred revenue	3,738	-	-	26,634	30,372
Other liabilities	24,086	-	-	9,003	33,089
Total Liabilities	209,280	185,510	349,516	295,571	1,039,877
NET ASSETS					
Permanently restricted	356,118	363,210	-	45,346	764,674
Temporarily restricted	203,843	113,037	-	58,464	375,344
Unrestricted (deficit)	15,921	12,115	(48,288)	48,203	27,951
Total Net Assets	$ 575,882	$ 488,362	$ (48,288)	$ 152,013	$ 1,167,969

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
COMBINING STATEMENT OF ACTIVITIES
UNIVERSITIES - AFFILIATED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	ARIZONA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF ARIZONA FOUNDATION	ARIZONA CAPITAL FACILITIES FINANCE CORPORATION	OTHER COMPONENT UNITS	TOTAL
REVENUES					
Contributions	$ 54,070	$ 52,330	$ -	$ 21,480	$ 127,880
Rental revenue	1,416	-	17,786	31,737	50,939
Sales and services	23,344	-	8,865	8,321	40,530
Net investment income	80,461	60,805	140	20,957	162,363
Licensing revenue	-	-	-	3,220	3,220
Other revenues	2,553	10,242	8,441	12,891	34,127
Total Revenues	161,844	123,377	35,232	98,606	419,059
EXPENSES					
Program services:					
Payments to Universities	52,458	42,678	345	12,669	108,150
Leasing related expenses	-	-	-	8,936	8,936
Payments on behalf of Universities	-	12,079	-	4,272	16,351
Other program services	-	-	-	6,899	6,899
Management and general expenses	25,541	4,608	9,185	29,071	68,405
Fundraising expenses	-	6,019	-	2,526	8,545
Interest	2,207	-	14,739	11,229	28,175
Depreciation and amortization	1,843	-	12,636	7,896	22,375
Other expenses	6,611	-	-	7,721	14,332
Total Expenses	88,660	65,384	36,905	91,219	282,168
Increase (Decrease) in Net Assets	73,184	57,993	(1,673)	7,387	136,891
Net Assets - Beginning	502,698	430,369	(46,615)	144,626	1,031,078
Net Assets - Ending	$ 575,882	$ 488,362	$ (48,288)	$ 152,013	$ 1,167,969

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the State of Arizona (the State) conform to U.S. Generally Accepted Accounting Principles (U.S. GAAP) applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

The State is a general purpose government. The accompanying financial statements present the activities of the State (the primary government) and its component units. Component Units' footnote disclosures are presented in Note 17 – Discretely Presented Component Unit Disclosures.

Component Units

Component units are legally separate entities for which the State is considered to be financially accountable, or organizations that raise and hold economic resources for the direct benefit of the State. Blended component units, although legally separate entities, are in substance, part of a government's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units of the State, except for component units affiliated with the State's Universities, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the State. Because the component units affiliated with the Universities follow Financial Accounting Standards Board (FASB) statements, these financial statements have been reported on separate pages following the respective counterpart financial statements of the State. For financial reporting purposes, only the statement of financial position and the statement of activities for component units affiliated with the Universities are included in the State's financial statements, as required by the GASB.

GASB Statement No. 14, The Financial Reporting Entity has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

In addition, GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units (GASB 39) requires that legally separate, tax-exempt entities that meet all of the following criteria should be discretely presented as component units: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents, (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and (3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The State reports the following blended component units:

The Arizona State Retirement System (ASRS) is a cost-sharing, multiple-employer, pension plan that benefits employees of the State and participating political subdivisions and school districts. The ASRS is administered in accordance with provisions of Arizona Revised Statutes (ARS) Title 38, Chapter 5, Articles 2 and 2.1. The ASRS is governed by a nine-member board that is appointed by the Governor and approved by the Senate to serve three-year terms.

The Public Safety Personnel Retirement System (PSPRS) is an agent, multi-employer public employee retirement system that benefits public safety employees of certain State and local governments. The PSPRS is jointly administered by the Board of Trustees (formerly Fund Manager) and 226 local boards according to the provisions of ARS Title 38, Chapter 5, Article 4. The Board of Trustees is a seven-member board appointed by the Governor and approved by the Senate to serve a fixed five-year term. Each eligible group participating in the system has a five-member local board. In general, all members serve a fixed four-year term.

The Elected Officials' Retirement Plan (EORP) is a cost-sharing, multi-employer public employee retirement plan that benefits elected officials and judges of certain State, county, and local governments. The Board of Trustees (formerly Fund Manager) of the PSPRS administers the EORP plan according to the provisions of ARS Title 38, Chapter 5, Article 3.

The Corrections Officer Retirement Plan (CORP) is an agent, multi-employer public employee retirement plan that benefits prison and jail employees of certain State, county, and local governments. The Board of Trustees (formerly Fund Manager) of the PSPRS and 25 local boards administer the CORP plan according to the provisions of ARS Title 38, Chapter 5, Article 6.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained from the applicable plan's office or website at:

Arizona State Retirement System
P.O. Box 33910
Phoenix, Arizona 85067-3910
(602) 240-2000 or (800) 621-3778
www.azasrs.gov

Public Safety Personnel Retirement System, Elected Officials' Retirement Plan, or the Corrections Officer Retirement Plan
3010 East Camelback Road, Suite 200
Phoenix, Arizona 85016-4416
(602) 255-5575
www.psprs.com

The State reports the following discretely presented component units:

Governmental Funds:

Greater Arizona Development Authority (GADA) – The purpose of the GADA is to provide cost-effective access to capital for local communities, certain special districts, and tribal governments for public infrastructure projects. The GADA was created by an Act of the Arizona Legislature in 1997 and is a body, corporate and politic, of the State. The GADA is governed by a nine-member Board of Directors consisting of four State of Arizona agency heads and five members, one of which shall be a representative of a tribal nation in Arizona, appointed by the Governor of the State. Members appointed by the Governor serve staggered five-year terms. The GADA fund was originally capitalized with General Fund appropriations and requests for additional capitalization of the GADA must be approved by the Arizona Legislature. Complete financial statements may be obtained from the GADA's administrative office at 1110 West Washington Street, Suite 290, Phoenix AZ 85007, (602) 364-1324.

Rio Nuevo Multipurpose Facilities District (Rio Nuevo) – The Rio Nuevo was established in 1999 with the passage of Proposition 400 by the voters in the Cities of Tucson and South Tucson. Under applicable ARS, the District can utilize tax incremental financing to help develop multipurpose facilities in the downtown Tucson area. The Rio Nuevo is governed by a nine-member board of directors, with five members appointed by the Governor, two members appointed by the President of the Senate, and the remaining two members appointed by the Speaker of the House of Representatives. Complete financial statements may be obtained from Beach Fleischman & Co. PC, c/o Jim Lovelace, 1985 E. River Rd. #201, Tucson, AZ 85718-7176, (520) 321-4600.

Proprietary Funds:

UA Healthcare, Inc. (UAH) – The UAH, an Arizona not-for-profit corporation, created in June, 2010, controls the University Medical Center Corporation and subsidiaries (the UMC) and the University Physicians Healthcare and subsidiaries (the UPH). After creation of the UAH, the UMC's and the UPH's by-laws were changed, designating the UAH as the UMC's and the UPH's sole members and granting the UAH certain reserved power and authority, effective July 1, 2010. The UAH's operations include two teaching hospitals and their affiliated clinics, as well as a health plan division, and the medical practice of physicians from the University of Arizona's College of Medicine. The UMC was created in 1984 when the State Legislature passed a bill that allowed the Arizona Board of Regents (ABOR) to convey the UMC to a private, not-for-profit, tax-exempt corporation. Although an autonomous entity was created, the teaching missions and research alliances with the University of Arizona (U of A) and the State remained. Appointments of members of the UMC's Board of Directors are made by the ABOR and the State Legislature has limited the number of regents allowed to serve on the UMC's Board of Directors. The UPH was created in 1985 as a not-for-profit corporation and, with the change in control, a majority of the UPH's board members are now appointed by the ABOR. Complete financial statements may be obtained from the UAH's administrative offices at 1501 N. Campbell Ave., Tucson, Arizona, 85724, (520) 694-6501.

Arizona Power Authority (APA) – The APA purchases the State's allocation of power produced at the federally owned Boulder Canyon Project hydropower plant and resells it to Arizona entities that are eligible purchasers under federal and state laws. The APA is governed by a commission of five members appointed by the Governor and approved by the Senate. The term of office of each member is six years and the members select a chairman and vice-chairman from among their membership for a term of two years. All revenue bonds issued by the APA must be approved by the State Certification Board. Complete financial statements may be obtained from the APA's administrative offices at 1810 West Adams Street, Phoenix, Arizona 85007, (602) 368-4265.

Water Infrastructure Finance Authority (WIFA) – The WIFA is authorized to administer the Clean Water Revolving Fund. The Clean Water Revolving Fund was created pursuant to the Federal Water Pollution Control Act, which required the State to establish the Clean Water Revolving Fund to accept federal capitalization grants for publicly owned wastewater treatment projects. The WIFA has also entered into an agreement with the Environmental Protection Agency to administer the Drinking Water Revolving Fund pursuant to the Safe Drinking Water Act. The WIFA is governed by a twelve-member board of directors. The ten Governor appointed directors serve staggered terms of five years and serve at the pleasure of the Governor. Complete financial statements may be obtained from the WIFA's administrative offices at 1110 West Washington Street, Suite 290, Phoenix, Arizona 85007, (602) 364-1324.

Component units of the State affiliated with the Universities are legally separate, tax-exempt organizations controlled by separate boards of directors that meet the criteria established in GASB 39, with the exception of the Collegiate Golf Foundation, University Public Schools, Inc., and Campus Research Corporation (CRC). The Collegiate Golf Foundation and University Public Schools, Inc. are included because each is a legally separate organization that the State believes would be misleading to exclude due to its financial relationship or close affiliation to the State. The CRC is included because the U of A approves the budget; thus fiscal dependency exists.

The following discretely presented component units affiliated with the Universities are reported as major component units of the State:

Arizona State University Foundation (ASU Foundation) – The ASU Foundation's resources are disbursed at the discretion of the Foundation's independent board of directors, in accordance with donor directions and Foundation policy.

Arizona Capital Facilities Finance Corporation (ACFFC) – The ACFFC provides facilities for either use by students of ASU or ASU itself.

University of Arizona Foundation (U of A Foundation) – The U of A Foundation supports the U of A through various fund-raising activities and contributes funds to the U of A in support of various programs.

The following discretely presented component units affiliated with the Universities are reported as non-major component units of the State:

Arizona State University Alumni Association, Sun Angel Foundation, and Sun Angel Endowment – These three foundations receive funds primarily through donations, dues, and/or affinity partners and contribute funds to ASU for support of various programs.

Arizona State University Research Park, Inc. (ASU Research Park) – ASU Research Park manages a research park to promote and support research activities in coordination with ASU.

Mesa Student Housing, LLC and Downtown Phoenix Student Housing, LLC – These foundations provide facilities for use by students of ASU.

Collegiate Golf Foundation – This foundation operates an ASU-owned golf course.

University Public Schools, Inc. (UPSI) – The UPSI operates four public schools designed to be on the forefront of education innovation and improvement, with the goal of developing educational models that can be scaled across the State and nation to improve the academic achievement of children.

University of Arizona Alumni Association (U of A Alumni Association) – The U of A Alumni Association was established to serve the U of A and its graduates, former students, and friends by attracting, organizing, and encouraging them to advance the U of A's missions - teaching, research, and public service.

University of Arizona Law College Association (Law Association) – The Law Association was established to provide support and financial assistance to the College of Law at the U of A. The Law Association funds provide support to the College on many levels, from endowed student scholarships to named faculty professorships.

University of Arizona Campus Research Corporation (CRC) – The CRC was established to assist the U of A in the acquisition, improvement, and operation of the U of A Science and Technology Park (Park) and related properties. The CRC currently leases from the U of A the remaining 67.00% of building space of the Park not leased to the Arizona Research Park Authority. The CRC is responsible for assisting in the development of the presently undeveloped portions of the Park and for subleasing unoccupied space, newly developed space, and space now occupied by IBM or its subtenants once the current subleases expire. The U of A is responsible for payment of operational expenses associated with the space occupied by the U of A departments, offices, and programs.

Northern Arizona University Foundation, Inc. (NAU Foundation) – The NAU Foundation receives gifts and bequests, administers and invests securities and property, and disburses payments to and on behalf of NAU for advancement of its mission.

Northern Arizona Capital Facilities Finance Corporation (NACFFC) – The NACFFC was established for the purpose of acquiring, developing, constructing, maintaining, and operating student housing and other capital facilities and equipment for the use and benefit of NAU's students.

Complete financial statements for each of the aforementioned component units, except for the U of A Foundation, may be obtained at the following addresses:

ASU Foundation, ACFFC, ASU Alumni Association, Sun Angel Foundation, Sun Angel Endowment, ASU Research Park, Collegiate Golf Foundation, Mesa Student Housing, LLC, Downtown Phoenix Student Housing, LLC, and the UPSI – Arizona State University, Financial Services, P.O. Box 875812, Tempe, Arizona 85287-5812 or (480) 965-3601

U of A Alumni Association – Alumni Association, The University of Arizona, P.O. Box 210109, Tucson, Arizona 85721-0109

Law Association – Law College Association, The University of Arizona, P.O. Box 210176, Tucson, Arizona 85721-0176

CRC – The University of Arizona Science and Technology Park, 9030 South Rita Road, Suite 302, Tucson, Arizona 85747

NAU Foundation and NACFFC – Northern Arizona University, Comptroller's Office, P.O. Box 4069, Flagstaff, Arizona 86011

The financial statements of the U of A Foundation are not publicly available. For information regarding the U of A Foundation's financial statements, contact the U of A Comptroller at the following address: University of Arizona, Financial Services, P.O. Box 3310, Tucson, Arizona 85722-3310.

Related Organizations

Related organizations are legally separate entities for which the State is not considered to be financially accountable, and that do not meet the criteria established by GASB 39. The State's accountability for these organizations does not extend beyond making the appointments, nor are the economic resources accessible to the State. As a result, financial activity for the organizations described below is not included in the State's financial statements.

Arizona Health Facilities Authority (the Authority) – ARS §36-482 established the Authority to issue tax-exempt bonds and loans for the purpose of improving health care for Arizona residents by providing less expensive financing for health care facilities. Proceeds from bond issues are loaned to various qualifying nonprofit health care organizations. The health care organizations reimburse the Authority for expenses for issuance of the bonds, pay fees of the Authority, and make payments under the loans for the benefit of the holders of the bonds. The Authority is governed by a seven-member board of directors that is appointed by the Governor and approved by the Senate. The directors serve staggered terms of seven years, and can be removed for cause or at

will by the Governor with the consent of the Senate. The State cannot abrogate the rights of the Authority until all bonds, together with the interest thereon, are fully paid and discharged and all agreements are fully performed.

Arizona International Development Authority (the Authority) – ARS §41-4502 established the Authority to facilitate the development of international trade or commerce between Arizona and other countries. The Authority is governed by a seven-member board of directors appointed by the Governor and approved by the Senate for five-year terms, and can be removed only for cause.

Arizona Sports and Tourism Authority (the Authority) – ARS §5-802 established the Authority to construct, finance, furnish, maintain, improve, operate, market, and promote the use of a multipurpose facility and do all things necessary or convenient to accomplish those purposes. The Authority may issue revenue bonds in such principal amounts to accomplish the above stated purposes. The Authority is governed by a nine-member board of directors of which five are appointed by the Governor and approved by the Senate and two members each by the President of the Senate and the Speaker of the House. The directors serve terms of five years, may be re-appointed for one full subsequent term, and can be removed only for cause.

Arizona Housing Finance Authority (the Authority) – ARS §41-3902 established the Authority to issue bonds for residential dwelling units and multifamily residential rental projects in rural areas. The Authority may also establish mortgage credit certificate programs to finance residential dwelling units in rural areas. The Authority shall notify a city, town, county, tribal government, or existing corporation (as defined in ARS §35-701) that a multifamily residential rental project is planned for its jurisdiction and, before proceeding, shall obtain written consent from the governing body of the city, town, county, or tribal government. The Authority is governed by a seven-member board of directors that is appointed by the Governor and approved by the Senate. The directors serve terms of seven years, and can be removed only for cause.

State Compensation Fund – ARS §23-981 established the State Compensation Fund to provide insurance to employers for workers' compensation, occupational disease compensation, and medical, surgical, and hospital benefits. The State Compensation Fund is governed by a board of directors that consists of five members appointed by the Governor for staggered terms of five years. Annually, the Governor appoints a chairman from among the board members.

Joint Ventures

As described in Note 12, the U of A participates in a joint venture. In accordance with U.S. GAAP, the financial activities of this joint venture are not included in the State's financial statements.

B. BASIS OF PRESENTATION

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the State as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements provide information about the primary government and its component units. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the State and between the State and its discretely presented component units. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

The **Statement of Net Assets** presents the State's non-fiduciary assets and liabilities, with the difference reported as net assets. Both the governmental and business-type activities are presented on a consolidated basis by column.

The **Statement of Activities** presents a comparison between direct expenses and program revenues for each function of the State's governmental activities, and its different business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. The State does not allocate indirect expenses to programs or functions.

Program revenues include:

- ¿ charges to customers or applicants for goods, services, privileges provided, and fines or forfeitures
- ¿ operating grants and contributions
- ¿ capital grants and contributions, including special assessments

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Interfund balances have been eliminated from the government-wide financial statements to the extent that they occur within either the governmental or business-type activities. Balances between governmental and business-type activities are presented as internal balances and are eliminated in the total column. Revenues and expenses associated with reciprocal transactions within governmental or within business-type activities have not been eliminated.

Fund financial statements provide information about the State's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The State reports the following major governmental funds:

The General Fund – is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Transportation and Aviation Planning, Highway Maintenance and Safety Fund – accounts for all financial transactions applicable to the general operations of the Arizona Department of Transportation (ADOT). The ADOT builds and maintains the State's highway system and the Grand Canyon Airport. The fund primarily receives revenues from motor vehicle and fuel taxes and federal grants.

The Land Endowments Fund – holds lands granted to the State by the Federal government for the benefit of public schools and other public institutions. Principal is maintained intact and investment earnings and lease revenues are distributed to beneficiaries in accordance with State statute.

The State reports the following major enterprise funds:

The Universities – account for transactions of the State's three universities, which comprise the State's university system.

Unemployment Compensation – pays claims for unemployment to eligible recipients from employer contributions and reimbursements.

The Industrial Commission Special Fund (Special Fund) – accounts for the payment of workers' compensation claims that are not covered by the State Compensation Fund, the Risk Management Division of the Department of Administration, private insurance carriers, and self-insured employers.

The Lottery – accounts for the activities of the Arizona State Lottery.

Additionally, the State reports the following fund types:

Internal Service Funds – account for insurance coverage, employee benefits, automotive maintenance and operation, highway equipment rentals, and data processing and telecommunication services provided to State agencies on a cost-reimbursement basis.

It is the policy of the State to classify immaterial proprietary fund activities in governmental funds. This policy helps to reduce the number of funds reported in the financial statements to the minimum amount needed. These funds allocate a fixed rate payroll processing charge among all agencies, allocate postage and mailing costs among all agencies, or arrange for the sale of the State's office equipment and motorized vehicles at public auctions.

Pension and Other Employee Benefit Trust Funds – account for the activities of the ASRS, the PSPRS, the EORP, and the CORP, for which the State acts as a trustee. These retirement and other post-employment benefit plans accumulate resources to pay pension, health insurance premium subsidies, and long-term disability benefits of State employees and employees of other governmental entities participating in the plans.

Investment Trust Funds – account for transactions by local governments and political subdivisions that elect to participate in the State Treasurer's investment pools. The Treasurer acts as trustee for the original deposits made into the investment pools.

Agency Funds – account for the receipt and disbursement of various taxes, deposits, deductions, property collected by the State, and payment of the health insurance subsidy by the PSPRS, the EORP, and the CORP, where the State acts as an agent for distribution to other governments and organizations.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. However, the agency funds are custodial in nature and do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and donations are recognized as revenues as soon as all eligibility requirements the provider imposed have been met.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers all revenues reported in the governmental funds to be available if the revenues are collected within 31 days after year-end, except for the Department of Economic Security (DES) revenue, reported in the General Fund, and the Transportation and Aviation Planning, Highway Maintenance and Safety Major Fund, as well as certain non-major governmental funds administered by the DES and the ADOT, which consider revenues to be available if collected within 60 days after year-end. Those revenues susceptible to accrual are federal reimbursements, highway user revenue tax, and state sales tax. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When an expense is incurred for purposes for which restricted and unrestricted net assets are available, the State considers restricted and unrestricted amounts to have been spent in that order.

The State's business-type activities and enterprise funds follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The State has chosen the option not to follow FASB Statements and Interpretations issued after November 30, 1989.

D. DEPOSITS AND INVESTMENTS

1. Cash and Cash Equivalents

On the Statement of Cash Flows, the amount reported as "Cash and Cash Equivalents" is equal to the total of the amounts on the Statement of Net Assets (unrestricted/restricted) "Cash", "Cash with U.S. Treasury", "Cash and pooled investments with State Treasurer", "Cash held by trustee" and "Collateral investment pool". For purposes of the Statement of Cash Flows, the State considers only those highly liquid debt instruments with an original maturity of ninety days or less to be cash equivalents.

¿ Cash (not with State Treasurer) – includes un-deposited receipts, petty cash, bank accounts, non-negotiable certificates of deposit, and demand deposits with banking institutions other than the State Treasurer.

¿ Cash with U.S. Treasury – consists of unemployment compensation contributions from Arizona employers that are deposited in a trust fund maintained by the United States Treasury.

¿ Cash and pooled investments with State Treasurer – consists of a centralized management of most State cash resources maintained by the State Treasurer. From the perspective of the various State funds, the pool functions as both a cash management pool and a demand deposit account. The operations and investments of the State Treasurer's pooled investments are described in Note 2.

¿ Cash held by trustee – consists of capital projects and bond debt service funds invested by the trustee in accordance with the applicable financing indenture, generally limited to United States Treasury securities and other Federal agency securities, certificates of deposit, commercial paper, and money market funds.

¿ Collateral investment pool – consists of cash received as collateral on securities lending transactions and investments made with that cash. The State records the collateral received as an asset. A corresponding liability is also recorded for such securities lending transactions.

2. Investment Valuation

Investments maintained by the State Treasurer are reported at fair value using JP Morgan prices, as determined by independent, industry recognized data vendors who provide values that are either exchange based or matrix based. Equities are priced utilizing the primary exchange closing price. In the absence of a closing price, the mid/bid price will be utilized. If no pricing source is available, the cost price or last available price from any source will be utilized. All bonds are priced using an evaluated market price, the closing trade/bid price or the most recent mid/bid price, except securities with a remaining maturity of 90 days or less are priced at amortized cost (amortizing premium/accreting discount on a straight-line to maturity method). If no pricing source is available, the cost price or the last available price from any source will be utilized.

The ASRS' publicly traded investments are reported at fair value determined by the custodial agents. The agents' determination of fair values includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates. ASRS' derivative instruments, which consist of futures, forward contracts, options, swaps, rights, and warrants, are measured at fair value. Changes in fair values of derivative instruments are reported as net increase (decrease) in fair value of investments. Private real estate, private equity, and opportunistic partnership investments are valued based on the partnerships' March 2011 financial statements adjusted for cash flows through June 30, 2011. Short-term investments are reported at cost plus accrued interest, which approximates fair value. For investments where no readily ascertainable fair value exists, the ASRS, in consultation with its investment advisors, has determined the fair values for the individual investments based on anticipated maturity dates and current interest rates commensurate with the investment's degree of risk. Security transactions and any resulting gains or losses are accounted for on a trade date basis. Net investment income (loss) includes net increase (decrease) in the fair value of investments, interest income, dividend income, real estate, private equity, and opportunistic investments income, and total investment expense. This includes investment management, real estate, private equity, and opportunistic investment expenses and all other significant investment related costs.

For the PSPRS, the EORP, and the CORP, investments are reported at fair market value. Short term investments are reported at cost plus accrued interest. Equity securities are valued at the last reported sales price. Fixed income securities are valued using the last reported sales price or the estimated fair market value as determined by the fixed income broker/dealers plus accrued interest. Investments in hedge funds are valued monthly at the last reported valuations. Limited partnership investments in credit opportunities, private equity, real assets, and real estate are valued on a quarterly or monthly basis at last reported valuations adjusted by any subsequent cash flows. Joint venture real estate investments are reported at fair market value using either appraisals or manager assessment to estimate the fair market value. Appraisals will be performed every three years on a rolling schedule unless circumstances warrant otherwise. Investment income is recognized as earned.

E. TAXES RECEIVABLE

Taxes receivable include amounts owed by taxpayers for prior periods including assessments for underpayments, penalties, and interest. In the government-wide financial statements, a corresponding amount is recorded as revenue using the accrual basis of

accounting. In the governmental fund financial statements, revenue is recorded using the modified accrual basis of accounting. The remainder is recorded as deferred revenues.

The income tax receivable is composed of individual and corporate estimated payments, withholding payments, and payments with final returns and assessments that relate to income earned through June 30, 2011. Sales and motor vehicle and fuel tax receivables represent amounts that are earned by the State in the fiscal period ended June 30, 2011, but not collected until the following month.

F. INVENTORIES

Inventories consist of expendable supplies held for consumption in all funds and merchandise intended for sale to customers in the proprietary funds. Inventories are stated at cost using the first-in, first-out method, weighted average, or lower of cost or market. In the governmental funds, inventories are accounted for using the consumption method. Under this method, inventories are recorded as expenditures as they are used.

G. PROPERTY TAX CALENDAR

Real property taxes are levied on or before the third Monday in August and become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien attaches on the first day of January preceding assessment and levy.

H. CAPITAL ASSETS

Capital assets are stated at cost at the date of acquisition or, if donated, at the estimated fair market value at the date received. Interest incurred during the construction of capital assets is only capitalized in the proprietary funds.

Most capital assets are depreciated over their estimated useful lives. However, the State reports most infrastructure assets using the modified approach, as provided by GASB Statement No. 34. Under this approach, rather than being depreciated, costs to maintain and preserve these assets are expensed. This approach is discussed further in the Required Supplementary Information portion of this report. The State has adopted a general policy for capitalization thresholds, depreciation, and estimated useful lives of capital assets. In addition, the State has approved alternative policies for some State agencies.

Depreciable capital assets are depreciated on a straight-line basis. Capitalization thresholds (the dollar values at which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets being depreciated in the government-wide financial statements and the proprietary funds are as follows:

	General State Policy		Other Authorized Agency Policies	
Asset Category	Capitalization Threshold	Estimated Useful Life (years)	Capitalization Threshold	Estimated Useful Life (years)
Land	All capitalized	Not depreciated	All capitalized	Not depreciated
Buildings	All capitalized	25-40	$0-$100,000	10-50
Improvements other than buildings	$5,000	15	-	-
Equipment	$5,000	3-15	$5,000	3-25
Infrastructure	All capitalized	Not depreciated	$0-$100,000	20-100
Software	$1,000,000	5-10	$1,000,000	5-10
Other intangibles	$100,000	Varied	$100,000	Varied

Other intangibles include licenses and permits, patents, copyrights and trademarks, rights-of-way and easements, and natural resource extraction rights. These are amortized over the shorter of the legal or estimated useful life if the useful life is definite or limited. If the life is indefinite or unlimited, they are not amortized. In addition, rights-of-way and easements are amortized only if the value is separable from the underlying land and natural resource extraction rights are not amortized unless the value of the underlying asset is identifiable.

The State is trustee for approximately 9.3 million acres of land acquired through U.S. Government land grants in the early 1900's. The State acquired a substantial portion of this land at no cost and its fair market value at acquisition has not been reliably estimated. Accordingly, this land is not reported in the accompanying financial statements.

The State has interest in and maintains significant special collections, works of art, and historical treasures. Except for ASU, all special collections, works of art, and historical treasures which are held for financial gain are capitalized at fair market value at the date of acquisition or donation. Those special collections, works of art, and historical treasures which are held for educational, research, or public exhibition purposes are not capitalized, as they are not subject to disposal for financial gain or encumbrance. Such items are inventoried for property control purposes. ASU capitalizes all works of art and historical treasures with a unit cost of $5,000 or more.

Additional disclosures related to capital assets and assets acquired through capital leases are provided in Notes 4 and 7, respectively.

I. INVESTMENT EARNINGS

Investment earnings are composed of interest, dividends, and net changes in fair value of applicable investments.

J. SCHOLARSHIP ALLOWANCES

Student tuition and fee revenues, and certain other revenues earned by the three State Universities are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Fund Net Assets. A scholarship discount and allowance is the difference between the stated charge for goods and services provided and the amount that is paid by the student or third party making payment on behalf of the student. Accordingly, some types of student financial aid such as Pell grants and scholarships awarded by the Universities are considered to be scholarship allowances. These allowances are netted against applicable revenues in the Statement of Revenues, Expenses and Changes in Fund Net Assets.

K. DEFERRED REVENUE

Deferred revenue consists of payments to the State for goods and services not yet rendered, or taxes, grants, and other non-exchange transactions for which related resources are not available to pay current liabilities. In the government-wide and proprietary fund financial statements, revenue is deferred when cash, receivables, or other assets are received prior to their being earned. In the governmental fund financial statements, revenue is deferred when that revenue is unearned or unavailable.

L. COMPENSATED ABSENCES

In the government-wide and proprietary fund financial statements, the State accrues liabilities for compensated absences as required by the GASB. In the governmental fund financial statements, liabilities for compensated absences are not accrued, because they are not considered due and payable.

In general, State employees accrue vested annual leave at a variable rate based on years of service. Except for uncovered State employees and University employees, an employee generally forfeits accumulated annual leave in excess of 240 hours as of the last day of the last pay period for a calendar year, unless the Director of the Department of Administration authorizes an exception. Uncovered State employees shall forfeit accumulated annual leave in excess of 320 hours as of the end of each calendar year, unless an exception is authorized. University employees may accumulate up to 264 hours of vacation, and any vacation hours in excess of the maximum amount that are unused at December 31 are forfeited. Except for University employees, an employee who separates from State service is paid for all unused and unforfeited annual leave at the employee's rate of pay at the time of separation. University employees, upon termination of employment, are paid all unused vacation benefits not exceeding 176 hours (annual accrual amount), depending on years of service and full-time equivalent employment status.

Some employees accumulate compensatory leave for time worked over 40 hours per week. An employee may accumulate up to 240 hours of compensatory leave (480 if working in a public safety activity or an emergency response activity). An employee who separates from State service is paid for all unused compensatory leave at either the employee's average base salary during the last three years of employment or final base salary, whichever is higher.

For sick leave policy, see Note 13.C.

M. LONG-TERM OBLIGATIONS

In the government-wide and proprietary fund financial statements, long-term debt and long-term liabilities are reported as liabilities. Amounts due within one year are reported as current liabilities, and amounts due thereafter are reported as non-current liabilities. Premiums and discounts on revenue bonds and COPs are deferred and amortized over the life of the debt instrument using the straight-line method or the effective interest method. Bonds and COPs are reported net of the applicable premium or discount. Bond issuance costs and deferred gains or losses on debt refundings are charged to expense in the period incurred unless those costs are deemed to be material to the State's financial statements by management, in which case, they are deferred and amortized using either the straight-line method or the effective interest method.

In the fund financial statements, governmental fund types recognize proceeds from revenue bonds, COPs, other issuances, and premiums and discounts on debt as other financing sources and uses in the current period. Long-term liabilities are more fully described in Note 7.

N. NET ASSETS/FUND BALANCES

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary, and fiduciary fund financial statements and "Fund Balance" on the governmental fund financial statements.

Net assets are reported in three categories:

Invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or imposed by law through constitutional provisions or voter initiative.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified.

In the governmental fund financial statements, fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Five classifications are available for reporting fund balances:

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted or committed) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balances have constraints placed upon the use of the resources that are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or voter initiatives.

Committed fund balances can be used only for specific purposes pursuant to constraints imposed by a formal action of the Arizona State Legislature, the State's highest level of decision-making authority. This formal action is the passage of law by the Legislature, creating, modifying, or rescinding fund balance commitments.

Assigned fund balance includes amounts that are constrained by the State's intent to be used for a specific purpose, but are neither restricted nor committed. The State does not have policies or procedures comparable to the policies that underlie this classification and, accordingly, does not report assigned fund balances.

Unassigned fund balance is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

When an expenditure is incurred for purposes for which restricted, committed, and unassigned fund balance is available, the State considers restricted, committed, and unassigned amounts to have been spent in that order.

O. NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 54. Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The requirements of this Statement are effective for periods beginning after June 15, 2010. The State has implemented the requirements of this standard.

GASB Statement No. 59, Financial Instruments Omnibus. The Statement clarifies existing standards regarding financial reporting and disclosure requirements for certain financial instruments and external investment pools. The requirements of this Statement are effective for periods beginning after June 15, 2010. The State has implemented the requirements of this standard, but they had no effect on the financial statements.

NOTE 2. DEPOSITS AND INVESTMENTS

A. DEPOSITS AND INVESTMENT POLICIES

The State's deposits and investments are primarily under the control of the State Treasurer, the Retirement Systems, the Universities, and the Industrial Commission (the Commission). These entities maintain the majority of the deposits and investments of the primary government. The investment policies of these organizations are defined according to State statutes, or a governing board, or both, and are described below.

ARS §35-312, §35-313, and §35-314 authorize the State Treasurer to invest operating, trust, and permanent endowment fund monies. Monies deposited with the State Treasurer by State agencies are invested by the State Treasurer in a pooled fund. Any interest earned is allocated monthly into each respective fund based on average daily cash balances. There is no income from investments associated with one fund that is assigned to another fund.

The State statutes and the State Treasurer's investment policies designed to administer these statutes restrict investments to obligations of the U.S. Government and its agencies, obligations or other evidence of indebtedness of the State and certain local government subdivisions, negotiable certificates of deposit, bonds, debentures and notes issued by U.S. corporations, commercial paper issued by entities organized and doing business in the United States, bankers acceptances, collateralized repurchase agreements, money market mutual funds, exchange traded funds, domestic equities, and other securities. The State Treasurer is not allowed to invest in foreign investments.

The State Treasurer maintains external investment pools [the Local Government Investment Pool (LGIP), Local Government Investment Pool - FF&C, Local Government Investment Pool – Medium Term, and Local Government Investment Pool – Medium Term FF&C]. The pools are not required to register (and are not registered) with the Securities and Exchange Commission under the 1940 Investment Advisors Act. The activity and performance of the pools are reviewed monthly by the State Board of Investment in accordance with ARS §35-311.

In September of 2008, the State agencies' and an external investment pool's share of the Lehman Brothers bond value of $39.427 million was transferred to the Lehman Brothers Pool due to Lehman Brothers filing for Chapter 11 bankruptcy protection on September 15, 2008. The transfer was made to provide for the decline in fair value of the Lehman Brothers securities. As of June 30, 2011, the fair value of the pool was $10.158 million. The likelihood that these participant monies will be recovered is not known.

The fair value of investments is measured on a monthly basis. Participant shares are purchased and sold based on the Net Asset Value (NAV) of the shares. The NAV is determined by dividing the fair value of the portfolio by the total shares outstanding. The State Treasurer does not contract with an outside insurer in order to guarantee the value of the portfolio or the price of shares redeemed.

The Central Arizona Water Conservation District is an individual investment account.

State statutes authorize the retirement systems to make investments in accordance with the "Prudent Person" rule. As such, investment management shall discharge the duties of their position with the care, skill, prudence, and diligence, under the

circumstances then prevailing, that a "prudent person" acting in enterprise of a like character and with like aims as that of the system, subject to certain statutory limitations and restrictions.

The ASRS invests in short-term securities, obligations of the U.S. government or agencies of the U.S. government, corporate bonds, common and preferred stocks (domestic and foreign), mortgages, derivatives, commodities, real estate, private equity, and opportunistic investments. Per ARS §38-719, no more than 80.00% of the ASRS' total assets may be invested at any given time in corporate stocks or equity equivalents, based on cost value of the stocks or equity equivalents irrespective of capital appreciation. No more than 5.00% of the voting stock of any one corporation may be owned. No more than 30.00% of the ASRS' assets may be invested in foreign securities, and those investments shall be made only by investment managers with demonstrated expertise in such investments. No more than 10.00% of the ASRS' assets may be invested in bonds or other evidences of indebtedness of those multinational development banks in which the U.S. is a member nation, including the International Bank for Reconstruction and Development, the African Development Bank, the Asian Development Bank, and the Inter-American Development Bank. No more than 1.00% of the ASRS' assets may be invested in economic development projects authorized as eligible for such investment by the Arizona Department of Commerce. ARS §35-392 requires divestment from investments in companies that do business in Sudan, Iran, or other State Sponsors of Terrorism countries under certain conditions. Subject to the limitations noted above, the ASRS Board may authorize the ASRS Director to make investments that are designated by the ASRS Board and that do not exceed 50.00% of the assets of the investment account measured at cost. The ASRS Board has not formally adopted more restrictive policies for the various types of risks.

Per ARS §38-848D, §38-803A(4), and §38-883A(4), the PSPRS, the EORP, and the CORP, respectively, may not invest at any given time more than 80.00% of the combined assets of the system or other plans that the Board of Trustees manages in corporate stocks, based on cost value of such stocks irrespective of capital appreciation. In addition, the PSPRS, the EORP, and the CORP investments shall be restricted to stocks and exchange traded funds that, except for bank and insurance stocks and membership interests in limited liability companies, are either: 1) listed or approved on issuance for listing on an exchange registered under the Securities Exchange Act of 1934, as amended, 2) designated or approved on notice of issuance for designation on the national market system of a national securities association registered under the Securities Exchange Act of 1934, as amended, 3) listed or approved on issuance for listing on an exchange registered under the laws of this State or any other State, 4) listed or approved on issuance for listing on an exchange registered of a foreign country with which the U.S. is maintaining diplomatic relations at the time of purchase, except that no more than 20.00% of the combined assets of the system or other plans that the board manages shall be invested in foreign securities, based on the cost value of the stocks irrespective of capital appreciation, or 5) an exchanged traded fund that is recommended by the chief investment officer of the system, that is registered under the Investment Company Act of 1940, and that is both traded on a public exchange and based on a publicly recognized index. Not more than 5.00% of the combined assets of the system or other plans that the board manages shall be invested in corporate stock issued by any one corporation, other than corporate stock issued by corporations chartered by the U.S. government or corporate stock issued by a bank or insurance company. Not more than 5.00% of the voting stock of any one corporation shall be owned by the system and other plans that the board administers, except that this limitation does not apply to membership interests in limited liability companies.

The ABOR governs the investment policies of the Universities. The Universities are generally limited to investing their pooled operating funds in collateralized certificates of deposit and repurchase agreements, U.S. Treasury securities, Federal agency securities, investment grade corporate bonds, or in the LGIP administered by the State Treasurer. Investment of capital project funds is also governed by the financing indenture agreements. For endowment investments, ABOR policy dictates that these funds are to be invested under the direction of an investment committee designated by the president of each university. The investment committee is responsible for advising on the definition, development, and implementation of investment objectives, policies, and restrictions. However, if donors restrict the investments, ABOR policy requires the University to invest those funds separately as directed by the donor, and the individual endowments bear all changes in value.

Per ARS §23-1065, the Commission's investment committee is responsible for prescribing investment policies and supervising the investment activities of the Commission. The Commission requires that their investment policy be responsive to the unpredictable nature of the incidence and severity of claims, the long periods over which losses may be paid, and the effect on both claims and losses of increases in treatment and rehabilitation costs. The investment committee may invest in any legal investment authorized under ARS §38-719.

B. CUSTODIAL CREDIT RISK – DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from an outside party. The State Treasurer's, the Retirement Systems', and the Universities' deposits of State treasury monies with financial institutions are required by State statutes to be entirely covered by the Federal Depository Insurance Corporation (FDIC) or, alternatively, collateralized for amounts in excess of the amount insured. Surety collateral for the Universities and the Retirement Systems must be equal to at least 100.00% of the bank balance required to be collateralized (102.00% for the State Treasurer). Beyond this requirement, these organizations do not have a formal policy specifically addressing custodial credit risk on deposits, except for the State Treasurer. The State statutes require surety collateral for the State Treasurer to consist of either: 1) U.S. Government obligations, State obligations, or obligations of counties or municipalities within the State, 2) State Treasurer's warrant notes, or 3) the safekeeping receipt of the financial institution accepting the deposit. As of June 30, 2011, some State agencies have uncollateralized and uninsured deposits in the amount of $759 thousand and $54.865 million in deposits collateralized with securities held by the pledging financial institution's trust department or agent, but not in the State's name.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the value of the investment or collateral securities that are in the possession of an outside party may not be recovered. The State does not have a formal policy in regards to custodial credit risk for investments. As of June 30, 2011, the State had $106.305 million in securities that were uninsured, not registered in the State's name, and held by either the counterparty or counterparty's trust department or agent, but not in the State's name.

C. INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State manages interest rate risk using the segmented time distribution, weighted average maturity, and effective duration methods.

The State Treasurer manages interest rate risk by incorporating ARS limitations into their investment policy and setting forth various thresholds or parameters in accordance with each investment pool's portfolio structure. The State Treasurer's policy provides either maturity or duration limitations for the various investment pools. The interest rate risk inherent in the portfolio is monitored monthly by measuring the weighted average maturity and/or duration.

The ASU policy for operating funds limits the maximum maturity of any fixed rate issue to five years. The capital projects funds portfolio is not limited as to the overall maturity of its investments, with funds invested per the financing indentures to coincide with capital spending needs and debt service requirements, which are typically less than three years, with the additional limitation that certificates of deposit and commercial paper have maximum maturities of 360 days and 270 days, respectively.

The Commission approves and contracts with different investment managers of fixed income equities in order to manage the exposure to interest rate risk with each different fund manager focusing on different goals of yield periods or duration of maturities of their particular portion of the investment pool.

The following table presents the State Treasurer's, the ASU's, and the Commission's weighted average maturity in years by investment type (expressed in thousands):

Investment Type	Fair Value	Weighted Average Maturity (in years)
Asset backed securities	$ 132,827	1.85
Certificates of deposit (negotiable)	59,503	0.24
Commercial mortgage backed securities	9,974	25.76
Commercial paper	1,422,431	0.09
Corporate notes & bonds	1,644,829	3.15
FDIC certificates of deposit	58,890	0.51
Government bonds	18,786	10.87
Government mortgage backed securities	26,621	19.83
Money market mutual funds	468,606	0.08
Non-government backed collateralized mortgage obligations (CMOs)	4,377	14.86
Repurchase agreements	2,092,661	0.01
U.S. agency mortgage backed securities	608,038	16.51
U.S. agency mortgage backed securities – full faith	394,144	21.13
U.S. agency securities	1,235,187	2.07
U.S. agency securities - full faith	25,895	3.33
U.S. Treasury securities	1,524,981	1.61
Other	15,504	8.72
Total	$ 9,743,254	3.11

The ASRS does not have a formal policy in regards to interest rate risk, but does manage interest rate risk using effective duration. Effective duration measures the expected change in value of a fixed income security for a given change in interest rate. This method takes into account the likely timing and amounts of variable cash flows for bonds with call options and prepayment provisions. The following table presents ASRS' effective duration by investment type (expressed in thousands):

Investment Type	Fair Value	Effective Duration (in years)
Asset backed securities	$ 286,087	.90
Commercial mortgage backed securities	285,625	3.30
Corporate bonds	1,544,134	4.40
Government agency CMOs	55,179	.90
Government bonds	2,001,713	7.50
Government mortgage backed securities	1,385,119	23.30
Government related bonds	345,384	7.10
Non-government backed CMOs	52,265	4.60
Total	$ 5,955,506	9.74

The PSPRS, the EORP, and the CORP do not have a formal policy in regards to interest rate risk. The NAU's and the U of A's investment policies for their operating funds limit the maximum maturity of any fixed-rate or variable-rate security to five years from the settlement date of purchase. The NAU's and the U of A's endowment funds have no such limitation. The following table presents the interest rate risk for the PSPRS, the EORP, the CORP, the NAU, the U of A, and other State agencies utilizing the segmented time distribution (expressed in thousands):

		Investment Maturities (in years)					
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**11-15**	**16-20**	**More than 20**
Certificates of deposit (negotiable)	$ 17,938	$ 4,078	$ 13,860	$ -	$ -	$ -	$ -
Collateralized bond obligations (CBOs)	23,252	-	-	12,328	-	-	10,924
Commercial paper	2,949	2,949	-	-	-	-	-
Corporate notes & bonds	1,240,967	21,309	59,131	80,978	5,301	11,040	1,063,208
Money market mutual funds	180,358	180,358	-	-	-	-	-
U.S. agency securities	372,296	71,081	245,297	2,135	5,926	31,500	16,357
U.S. Treasury securities	14,767	4,316	10,373	78	-	-	-
Other	1,722	-	724	949	-	-	49
Total	$ 1,854,249	$ 284,091	$ 329,385	$ 96,468	$ 11,227	$ 42,540	$ 1,090,538

The following table presents the State's investments at fair value that are considered to be highly sensitive to interest rate changes (expressed in thousands):

Interest Rate Terms	**Corporate Notes & Securities**	**U.S. Agency Securities**	**Total**
Notes/securities with coupon tied to the London Interbank Offered Rate (LIBOR) plus/minus a fixed basis point which resets quarterly.	$ 341,183	$ -	$ 341,183
Notes/securities (including full faith) with coupon tied to the LIBOR plus/minus a fixed basis point which resets monthly.	31,399	28,830	60,229
Notes/securities with coupon tied to the LIBOR plus/minus a fixed basis point which resets monthly to quarterly.	153,776	-	153,776
Mortgage backed securities (including full faith) - when interest rates fall, mortgages are refinanced and paid off early and the reduced stream of future interest payments diminishes fair value.	-	1,036,210	1,036,210
Notes/securities - where on certain specified dates, the issuer can call the security. If the security is not called, the interest rate is increased by a specified amount. Prevailing interest rates may go up faster than the increases in the coupon interest rate.	1,045	136,375	137,420
Other notes/securities with high sensitivity to rate changes.	-	316,491	316,491
Total	$ 527,403	$ 1,517,906	$ 2,045,309

D. CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment.

State statutes and the State Treasurer's investment policy require that commercial paper must be rated by at least two nationally recognized statistical rating organizations (NRSROs) and that the ratings assigned by at least two of the NRSROs be of the two highest rating categories for short-term obligations. Corporate bonds, debentures, notes, and negotiable certificates of deposit must carry a minimum Baa or better rating from Moody's Investor Service (Moody's) or a BBB or better rating from Standard and Poor's Rating Service (S & P) or their successors. For securities of or any other interests in any open-end management type investment company or investment trust including exchange traded funds, the underlying investments must be securities which are allowable under State statutes. For investments not rated by Moody's, Fitch rating information is used. There is no statute or investment policy on ratings or credit quality for obligations issued by the U.S. Government or its agencies or repurchase agreements. The underlying securities for repurchase agreements are assumed to be implicitly guaranteed by the U.S. Government, as some are collateralized with U.S. Agency securities.

The ASRS has not adopted a formal policy with respect to credit risk.

The PSPRS', the EORP's, and the CORP's investment policies are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and the average credit quality of the overall portfolios. The fixed income portfolio must

have a minimum weighted average quality rating of A3 by Moody's and A- by S & P. Fixed income investments must have a minimum quality rating of Baa3 by Moody's and BBB- by S & P at the time of purchase. Commercial paper must have a minimum quality rating of P-1 by Moody's and A1 by S & P at the time of purchase. The portion of the bond portfolio in investments rated Baa3 through Baa1 by Moody's and BBB- through BBB+ by S & P must be 20.00% or less of the fair value of the fixed income portfolio.

The Universities' policies mirror that of the ABOR, which requires that negotiable certificates of deposit, corporate bonds, debentures and notes, bankers acceptances, and State of Arizona bonds carry a minimum BBB or better rating by S & P or Baa or better rating by Moody's; and that commercial paper be rated by at least two NRSROs and must be of the two highest rating categories for short-term obligations of at least two of the NRSROs. In addition, the Universities do not have formal policies that specifically address credit risk over endowment funds. The Universities' endowment funds are primarily invested in their Foundations' endowment pools, which are not rated. The Foundations' investment committees manage the credit risk of the Pools' investments. Also, ASU's capital projects and bond debt service funds are invested by the bond trustee in accordance with the applicable financing indenture.

The Commission's investment policy requires that purchases of fixed income securities will consist of U.S. Treasury or Federal agency obligations or those bonds rated not less than Ba by Moody's or BB by S & P, except for fixed income managers who have been hired to manage funds in a specialized manner (high yield).

The following table presents the State's investments which were rated by S & P and/or an equivalent national rating organization as of June 30, 2011. The ratings are presented using S & P's rating scale (expressed in thousands):

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	CCC Thru D	A1	Not Rated
Asset backed securities	$ 415,091	$ 175,066	$ 17,565	$ 25,644	$ 49,642	$ 21,942	$ 16,789	$ 99,335	$ 3,770	$ 5,338
CBOs	23,252	-	-	10,924	-	-	-	12,328	-	-
Certificates of deposit (negotiable)	77,441	24,998	6,301	-	-	-	-	-	34,505	11,637
Commercial mortgage backed securities	295,599	256,279	1,684	19,135	11,339	2,342	-	2,156	-	2,664
Commercial paper	1,425,380	-	2,799	150	-	-	-	-	1,422,431	-
Corporate notes & Bonds	3,813,742	134,820	1,292,412	1,125,173	461,931	142,065	378,463	228,206	-	50,672
Government agency CMOs	55,179	55,179	-	-	-	-	-	-	-	-
Government bonds	770,949	703,932	65,048	-	1,969	-	-	-	-	-
Government mortgage backed securities	1,385,119	1,385,119	-	-	-	-	-	-	-	-
Government related Bonds	345,384	302,914	2,289	38,362	-	-	-	-	-	1,819
Money market mutual funds	648,964	578,548	-	-	-	-	-	-	-	70,416
Non-government backed CMOs	56,642	13,541	2,659	1,812	10,061	-	616	22,714	-	5,239
Repurchase agreements	836,185	836,185	-	-	-	-	-	-	-	-
U.S. agency mortgage backed securities	608,038	608,038	-	-	-	-	-	-	-	-
U.S. agency securities	1,562,561	1,492,956	1,413	57,084	479	-	-	10,621	-	8
Other	48,042	6,465	987	566	-	-	-	-	-	40,024
Total	$ 12,367,568	$ 6,574,040	$1,393,157	$ 1,278,850	$535,421	$ 166,349	$ 395,868	$375,360	$1,460,706	$ 187,817

E. CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State Treasurer's, the ASRS', the Universities', and the Commission's investment policies provide that no more than 5.00% of their investments may be invested in securities issued by any one institution, agency, or corporation, other than securities issued as direct obligations of or are fully guaranteed by the U.S. Government or mortgage backed securities and agency debentures issued by federal agencies. The State Treasurer also exempts from this policy the purchase of Treasurer Warrant Notes for the

State Agencies Diversified pool, provided the maximum amount of the notes purchased shall not exceed 50.00% of the market value of the pool. The PSPRS', the EORP's, and the CORP's investment policies state that no more than 5.00% of the Fund or its fixed income portfolio at fair value shall be invested in bonds issued by any one institution, agency, or corporation other than bonds used as direct obligations of and fully guaranteed by the U.S. Government. At June 30, 2011, more than 5.00% of the Governmental Activities' total investments were held in the following single issuers (expressed in thousands):

Issuer Description	Fair Value	Percentage
Federal Home Loan Mortgage Corporation	$ 395,656	5.82%
Federal National Mortgage Association	658,123	9.68%

At June 30, 2011, more than 5.00% of the Business-type Activities' total investments were held in the following single issuers (expressed in thousands):

Issuer Description	Fair Value	Percentage
Federal Home Loan Bank	$ 147,723	9.94%
Federal Home Loan Mortgage Corporation	119,424	8.04%
Federal National Mortgage Association	164,659	11.08%

F. FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in the foreign exchange rate will adversely impact the fair value of an investment or deposit. The State does not have a formal policy regarding foreign currency risk. The ASRS, the PSPRS, the EORP, and the CORP are the primary State agencies that have foreign currency risk. Per ARS §38-719, no more than 30.00% of ASRS' assets may be invested in foreign equity securities and those investments shall be made only by investment managers with demonstrated expertise in those investments. The ASRS has not adopted a formal policy that is more restrictive. According to State statutes, the PSPRS, the EORP, and the CORP shall not invest more than 20.00% of the combined assets of the system or other plans that the Board of Trustees manages in foreign securities. The following table summarizes the State's foreign currency risk as of June 30, 2011 (expressed in thousands):

	Foreign Currency Risk by Investment Type at Fair Value				
Currency	Short Term	Fixed Income	Equities	Other Investments	Total
Australian Dollar	$ 122	$ 835	$ 143,512	$ -	$ 144,469
Bermudian Dollar	-	376	-	-	376
Brazilian Real	-	180	6,662	-	6,842
British Pound Sterling	1,374	5,344	551,175	42,539	600,432
Canadian Dollar	242	11,554	134,700	-	146,496
Cayman Islands Dollar	-	929	-	-	929
Danish Krone	151	-	28,252	-	28,403
Euro Currency	5,795	36,825	684,524	143,107	870,251
Hong Kong Dollar	310	-	90,746	-	91,056
Israeli Shekel	121	-	7,587	-	7,708
Japanese Yen	4,909	-	501,389	-	506,298
Mexican Peso	-	-	736	-	736
New Taiwan Dollar	114	-	12,396	-	12,510
New Zealand Dollar	75	-	5,368	-	5,443
Norwegian Krone	87	-	18,536	-	18,623
Philippine Peso	-	-	515	-	515
Polish Zloty	-	-	647	-	647
Singapore Dollar	325	-	53,431	-	53,756
South Korean Won	-	-	14,354	-	14,354
Swedish Krona	278	-	73,586	-	73,864
Swiss Franc	1,320	379	238,117	-	239,816
Thailand Baht	-	-	1,383	-	1,383
Various mutual funds	-	1,862	13,846	205	15,913
Total	$ 15,223	$ 58,284	$ 2,581,462	$ 185,851	$ 2,840,820

G. UNEMPLOYMENT COMPENSATION

Pursuant to Section 904 of the Social Security Act (42 U.S.C. §1104), unemployment insurance contributions from Arizona employers are deposited in an unemployment trust fund account with the Secretary of the Treasury of the United States. The cash on deposit in the trust fund account is pooled and invested. Interest earned from investments purchased with such pooled monies is deposited in the trust fund account. The Unemployment Compensation Fund, reported as a major enterprise fund, has been established for this purpose.

H. SECURITIES LENDING

Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. A corresponding liability is also recorded for such securities lending transactions.

1. Industrial Commission

State statutes and the Commission's policies permit the Commission to enter into securities lending transactions with its custodial bank. There were no significant violations of legal or contractual provisions, and there were no borrower or lending agent default losses to the securities lending agent. The custodial bank, The Northern Trust Company, manages the securities lending operations through a contractual agreement with the Commission and splits the fees received with the Commission. There was no credit risk (i.e., lender's exposure to the borrowers of its securities) related to the securities lending transactions at June 30, 2011. The Northern Trust Company's indemnification responsibilities include performing appropriate borrower and collateral investment credit analysis, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examinations Council regulations concerning securities lending. Securities are loaned for collateral that may include cash, U.S. Government securities, and irrevocable letters of credit. Domestic securities are loaned for collateral valued at 102.00% of the market value of securities loaned plus accrued interest. International securities are loaned for collateral valued at 105.00% of the market value of securities loaned plus accrued interest. The market value at June 30, 2011 for loaned securities collateralized by cash and non-cash collateral was $42.904 million and $172 thousand, respectively. As part of the securities lending transactions, the Northern Trust Company received cash and non-cash collateral valued at $43.728 million and $0, respectively, at June 30, 2011. Non-cash collateral cannot be pledged or sold unless the borrower defaults.

All securities loans can be terminated on demand by either the lender or the borrower. The average term of the loans is 78 days and cash open collateral is invested in a short-term investment pool, the Core USA Collateral Section, which had an interest sensitivity of 21 days as of June 30, 2011. Cash collateral may also be invested separately in term loans, in which case the investments match the loan term. Cash open loans can be terminated on demand by either the lender or the borrower and there were no dividends or coupon payments owing on securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month. Investments made with cash collateral received are classified as an asset on the Statement of Net Assets. A corresponding liability is recorded as the Commission must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2011, the Commission had $43.728 million outstanding as payable for securities lending. A maximum restriction on the amount of securities that can be lent out at any one time of $43.976 million was set by the Commission on September 29, 2008.

2. Arizona State Retirement System

The ASRS is permitted by ARS §38-715(D)(3), to enter into securities lending transactions. The ASRS' custodial bank enters into agreements with counterparts to loan securities and have the same securities redelivered at a later date. All securities are eligible for loan (U.S. fixed income securities, U.S. equities, and international equities) with a higher percentage of U.S. Treasuries on loan than most other security types. The ASRS currently receives as collateral at least 102.00% of the market value of the loaned securities and maintains collateral at no less than 100.00% for the duration of the loan. At year-end, the ASRS had no counter party risk to borrowers because the amount the ASRS owes the borrowers exceeds the amount the borrowers owe the ASRS. The ASRS records the collateral received as an asset and the same amount as an obligation for securities on loan. Cash collateral received may be reinvested. The maturities of the investments are closely matched to those of the security loans to avoid interest rate exposure. The ASRS receives a spread for its lending activities. Investments made with cash collateral received are classified as an asset on the Statement of Fiduciary Net Assets. A corresponding liability is recorded as the ASRS must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2011, the fair value of securities on loan was $3.5 billion; $858.300 million in cash collateralized loans and $2.6 billion in non-cash collateralized loans. Cash of $880.893 million received as collateral for securities loaned was reinvested and had a net asset value of $880.000 million, as of

June 30, 2011. The securities lending payable at June 30, 2011 was $880.893 million. The ASRS does not have the ability to pledge or sell the collateral unless there is a borrower default. The ASRS is indemnified against gross negligence and borrower default by the lending agents.

3. Public Safety Personnel Retirement System, Elected Officials' Retirement Plan, and Corrections Officer Retirement Plan

The PSPRS, the EORP, and the CORP are permitted by ARS Title 38, Chapter 5, Articles 4, 3, and 6, respectively, to enter into securities lending transactions. The PSPRS, the EORP, and the CORP are parties to securities lending agreements with a bank. The bank, on behalf of the PSPRS, the EORP, and the CORP, enters into agreements with brokers to loan securities and have the same securities returned at a later date. The loans are fully collateralized, primarily by cash. Collateral is marked-to-market on a daily basis. Non-cash collateral can be sold only upon borrower default. The PSPRS, the EORP, and the CORP require collateral of at least 102.00% of the fair value of the loaned U.S. Government or corporate security. The PSPRS, the EORP, and the CORP have no credit risk because the amounts owed to the borrowers exceed the amounts the borrowers owe to the retirement system or plan. Securities on loan are carried at fair value. As of June 30, 2011, the fair values of securities on loan for the PSPRS, the EORP, and the CORP were $349.154 million, $21.087 million, and $87.764 million, respectively. At June 30, 2011, the fair value of the associated collateral for the PSPRS, the EORP, and the CORP were $358.848 million, $21.673 million, and $90.201 million, respectively. The PSPRS, the EORP, and the CORP are indemnified for broker default by the securities lending agent.

4. State Treasurer

The State Treasurer is permitted under ARS §§35-313 and 35-324 to enter into securities lending transactions. The State Treasurer's custodial bank manages the securities lending program through a contractual agreement. At fiscal year-end, the State Treasurer had no credit risk exposure to borrowers because the amount the State Treasurer owes to the borrowers exceeds the amount the borrowers owe the State Treasurer. All securities are eligible for loan, but equities and U.S. Treasuries comprise a majority of securities that are on loan. There are no restrictions on the dollar amount of security loans that may be made by the State Treasurer. Securities are loaned for collateral that may include cash, U.S. government securities, state and local bonds, other municipalities' bonds and notes, commercial paper, banker acceptances, negotiable certificates of deposit, and corporate bonds, notes, and debentures. Securities are loaned for collateral valued at 102.00% of the market value of the securities loaned at the close of trading on the preceding business day, except for securities asset types such as U.S. Treasury strips and bills where the market fluctuations do not allow for the sale of such a security at greater than par. For these exceptions, collateral valued at the lesser of 100.00% of the par value of the security loaned or 102.00% of the market value is acceptable. Investments made with cash collateral are done on an individual investment pool basis and are restricted to the limitations for that investment pool set forth in the State Treasurer's investment policy, except for investments made for certain endowment equity pools. Permitted investments for these equity pools include those investments authorized in section IV of the State Treasurer's investment policy. Cash collateral investments include:

A) obligations issued or guaranteed by the United States or any of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities including repurchase and tri-party repurchase agreements collateralized at no less than 102.00% by securities, 100.00% by cash, and 102.00% by mortgage-backed securities,
B) bonds or other evidences of indebtedness of this state or any of the counties or incorporated cities, towns, or duly organized school districts,
C) bonds and notes of other municipalities including repurchase and tri-party repurchase agreements collateralized at no less than 105.00% by securities and 100.00% by cash,
D) commercial paper,
E) bill of exchange or time drafts known as bankers acceptances,
F) negotiable certificates of deposit issued by a nationally or state chartered bank or savings and loan,
G) bonds, debentures, and notes issued by corporations organized and doing business in the United States, and
H) U.S. 2a-7 money market mutual funds which are regulated by the Securities and Exchange Commission and rated in the highest category by at least one NRSRO.

The State Treasurer records the cash collateral received as an asset and the same amount as obligations under securities loan agreements. As of June 30, 2011, the fair value of securities on loan was $1.5 billion. The associated fair value of the invested collateral was $1.5 billion, of which $443.710 million was invested cash collateral. All securities loans can be terminated on demand by either the State Treasurer or the borrower. For the cash collateral investments, the weighted average maturity was 4 days. The State Treasurer does not have the ability to pledge or sell the non-cash collateral unless there is a borrower default.

The State Treasurer is indemnified against gross negligence, bad faith, or willful misconduct and borrower default by the lending agent. There were no borrower defaults during the current fiscal year. At June 30, 2011, the State Treasurer had $443.710 million outstanding as payable for securities lending, and the following securities on loan were uninsured and held by the bank trust department not in the Treasurer's name as follows:

U.S. agency securities	$ 638,886
U.S. Treasury securities	1,036,559,983
Equities S&P 600	1,495
Total fair value	$ 1,037,200,364

I. DERIVATIVES

A derivative instrument is a financial instrument or other contract with all three of the following characteristics:

¿ It has one or more underlyings and one or more notional amounts or payment provisions or both. Those terms determine the amount of the settlement or settlements, and in some cases, whether or not a settlement is required.

¿ It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

¿ Its terms require or permit net settlement, it can readily be settled net by means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

The ASRS is the primary State agency that has investment derivatives. The ASRS's derivatives are considered "Investment Derivative Instruments" as defined in GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. All funds are considered fiduciary funds.

The ASRS's derivative instruments, which consist of futures contracts, forward contracts, options, swaps, rights, and warrants, are measured at fair value and reported on the Statement of Fiduciary Net Assets. Changes in fair values of derivative instruments are reported as net increase (decrease) in fair value of investments on the Statement of Changes in Fiduciary Net Assets.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2011, classified by type, and the changes in fair value of derivative instruments for the year then ended as reported in the June 30, 2011 financial statements are as follows (expressed in thousands):

Investment Derivatives by Type

	Changes in Fair Value (1)		Fair Value at June 30, 2011		
Investment Derivatives	**Classification**	**Amount (2)**	**Classification**	**Amount (3)**	**Notional (4)**
Commodity futures long	Net increase (decrease) in fair value of investments	$ 101,948	Not applicable	$ -	$ 120,887
Commodity futures short	Net increase (decrease) in fair value of investments	(12,865)	Not applicable	-	(8,349)
Credit default swaps written	Net increase (decrease) in fair value of investments	686	Temporary investments, other investments	311	21,300
Fixed income futures long	Net increase (decrease) in fair value of investments	51,726	Not applicable	-	134,765,312
Fixed income futures short	Net increase (decrease) in fair value of investments	(10,487)	Not applicable	-	(649,452)
Fixed income options bought	Net increase (decrease) in fair value of investments	(21)	Not applicable	-	-
Fixed income options written	Net increase (decrease) in fair value of investments	1,675	Temporary investments, other investments	(824)	(168,100)
Foreign currency futures long	Net increase (decrease) in fair value of investments	102,160	Not applicable	-	249,365
Foreign currency futures short	Net increase (decrease) in fair value of investments	(18,303)	Not applicable	-	(259,763)
Foreign currency options written	Net increase (decrease) in fair value of investments	169	Not applicable	-	(2,800)
Futures options bought	Net increase (decrease) in fair value of investments	(151)	Not applicable	-	-
Futures options written	Net increase (decrease) in fair value of investments	1,153	Not applicable	-	-
Foreign currency forwards	Net increase (decrease) in fair value of investments	17,790	Forward contracts receivable	(466)	805,529
Index futures long	Net increase (decrease) in fair value of investments	124,563	Not applicable	-	7,255
Index futures short	Net increase (decrease) in fair value of investments	(9,398)	Not applicable	-	(155)
Pay fixed interest rate swaps	Net increase (decrease) in fair value of investments	(2,347)	Other investments	(355)	12,900
Receive fixed interest rate swaps	Net increase (decrease) in fair value of investments	14	Temporary investments	180	18,435
Rights	Net increase (decrease) in fair value of investments	990	Corporate stocks	124	494
Warrants	Net increase (decrease) in fair value of investments	(529)	Corporate stocks	1,296	720
Total		$ 348,773		$ 266	$ 134,913,578

(1) Excludes futures margin payments.

(2) Negative values (in brackets) refer to losses.

(3) Negative values refer to liabilities.

(4) Notional may be a dollar amount or size of underlying futures and options; negative values refer to short positions.

The fair value of derivative instruments reported by the ASRS is based on quoted market prices off national exchanges. The fair value of foreign currency forward contracts is based on mathematical models and is valued using a pricing service, which uses published Reuter's foreign currency rates as the primary source for the calculation.

The credit quality ratings of counterparties as described by NRSROs and the counterparties related risk concentration, as of June 30, 2011, are as follows (expressed in thousands):

Counterparty Risk and Ratings

Counterparty Name	Total	Risk Concentration	Ratings S&P	Ratings Fitch	Ratings Moody's
Bank of America	$ 198	4.33%	A+	A+	Aa3
Barclays	235	5.14%	AA-	AA-	Aa3
BNP Paribas SA	131	2.86%	AA	AA-	Aa2
Citibank N.A.	561	12.26%	A+	A+	A1
Credit Suisse London	109	2.38%	A+	AA-	Aa1
Deutsche Bank London	293	6.40%	A+	AA-	Aa3
Goldman Sachs International	395	8.64%	A	A+	A1
HSBC Bank USA	53	1.16%	AA	AA	Aa3
JP Morgan Securities, Inc.	202	4.41%	A+	AA-	Aa3
JP Morgan Chase Bank N.A.	6	0.13%	AA-	AA-	Aa1
Mellon Bank N.A.	4	0.09%	AA-	AA-	Aa2
Morgan Stanley and Co., Inc.	250	5.46%	A	A	A2
Royal Bank of Scotland PLC	652	14.25%	A+	AA-	Aa3
Standard Chartered Bank	17	0.37%	A+	AA-	A1
State Street Bank and Trust Co.	33	0.72%	AA-	A+	Aa2
USB AG	1,437	31.40%	A+	A+	Aa3
Total	$ 4,576	100.00%			

The maximum amount of loss due to credit risk that the ASRS would incur if the counterparties to the derivative instrument failed to perform according to the terms of the contract, without respect to any collateral or other security or netting arrangement, is the total unrealized gain of derivatives at the end of the reporting period.

The ASRS has no general investment policy requiring collateral or other security to support derivative instruments. Each investment manager hired has discretion with respect to derivative investments and risk control. Each investment manager is governed by its Investment Manager Agreement.

The ASRS has no general investment policy with respect to netting arrangements. The ASRS's investment managers have master netting arrangements to allow net settlement with the same counterparty in the event the counterparty defaults on its obligations.

The ASRS's derivatives do not have contingent features.

The aggregate fair value of investment derivative instruments in asset positions at June 30, 2011 was $4.600 million. This represents the maximum amount of loss in case of default of all counterparties for the aggregated (positive) fair value of over-the-counter positions as of June 30, 2011. There was no collateral received or netting arrangements in place at June 30, 2011 with counterparties that would reduce this exposure.

The ASRS has exposure to interest rate risk due to the investment in an interest rate swap agreement. The required risk disclosures are included in the Interest Rate Risk schedule in Note 2.C. The fair value balance and notional amount of the interest rate swap outstanding as of June 30, 2011, for the year then ended, as reported in the June 30, 2011 financial statements are as follows (expressed in thousands):

Interest Rate Risk for Interest Rate Swap

Asset ID	Asset Description	Interest Rate	Fair Value	Notional
PAY FIXED INTEREST RATE SWAPS				
99S08QH82/ 99S08QH90	SWU0372Q0 IRS USD R V 03MLIBOR / SWU0372Q0 IRS USD P F 4.25000	4.25%	$ (231)	$ 7,200
99S08RPT5/ 99S08RPU2	SWU0498Q9 IRS USD R V 03MLIBOR / SWU0498Q9 IRS USD P F 3.50000	3.50%	(35)	1,600
99S08TYN4/ 99S08TY02	SWU0523Q8 IRS USD R V 03MLIBOR / SWU0523Q8 IRS USD P F 3.50000	3.50%	(89)	4,100
Total Pay Fixed Interest Rate Swaps			$ (355)	$ 12,900
RECEIVE FIXED INTEREST RATE SWAPS				
99S05JST3/ 99S05JSU0	SWU058948 IRS BRL R F 11.57000 / SWU058948 IRS BRL P V 00MCETIP	11.57%	202	10,882
99S083U504/ 99S083U62	SWU0A0PQ2 IRS BRL R F 11.49000 / SWU0A0PQ2 IRS BRL P V 00MBRCDI	11.49%	(22)	7,553
Total Receive Fixed Interest Rate Swaps			$ 180	$ 18,435

The ASRS is exposed to foreign currency risk on its foreign currency forward contracts and futures contracts. The required risk disclosures are included in the Foreign Currency Risk schedule in Note 2.F.

Refer to Note 7.A.4.c. for information on debt derivatives utilized by ASU.

J. STATE TREASURER'S SEPARATELY ISSUED FINANCIAL STATEMENTS

The State Treasurer issues a separately published Annual Financial Report. The report provides additional information relating to the State Treasurer's total investing activities, including the investment trust funds. A copy of the State Treasurer's Office Annual Financial Report can be obtained from their office location or website at:

Office of the Arizona State Treasurer
1700 W. Washington St.
Phoenix, Arizona 85007
(602) 604-7800 or (877) 365-8310
www.aztreasury.gov

The Treasurer's financial statements are audited by the Office of the Auditor General.

NOTE 3. RECEIVABLES/DEFERRED REVENUE

A. TAXES RECEIVABLE

The following table summarizes taxes receivable at June 30, 2011 (expressed in thousands):

Type of Tax	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Unemployment Compensation Fund	Industrial Commission Special Fund	Non-Major Governmental Funds	Government-wide Total
Sales	$ 522,454	$ -	$ -	$ -	$ 47,386	$ 569,840
Income – individual and corporate	205,187	-	-	-	-	205,187
Motor vehicle and fuel	-	66,422	-	-	-	66,422
Luxury	7,780	-	-	-	21,156	28,936
Unemployment	-	-	84,803	-	-	84,803
Other	-	-	-	4,466	-	4,466
Gross taxes receivable	735,421	66,422	84,803	4,466	68,542	959,654
Allowance for uncollectible taxes	(312,154)	-	-	-	-	(312,154)
Net Taxes Receivable	$ 423,267	$ 66,422	$ 84,803	$ 4,466	$ 68,542	$ 647,500

B. DEFERRED REVENUE

At June 30, 2011, the components of deferred revenue, in terms of revenue unavailable and unearned, were as follows (expressed in thousands):

Current Deferred Revenue for Governmental Funds:	**Unavailable**	**Unearned**	**Total Deferred Revenue**
General Fund:			
Delinquent sales tax	$ 91,259	$ -	$ 91,259
Delinquent income tax	70,561	-	70,561
Tobacco settlement	54,106	-	54,106
Child support administrative reimbursements	4,264	-	4,264
Advance insurance premium taxes	-	41,257	41,257
Advance land lease payments	-	291	291
Public assistance overpayments	718	-	718
Vaccine & commodity food supplement	-	3,818	3,818
Advance county acute and long term care payments	-	21,511	21,511
Federal grants	128,590	42	128,632
Transportation & Aviation Planning, Highway Maintenance & Safety Fund:			
Loans & notes receivable for asset purchases and construction	6,217	-	6,217
Land Endowments Fund:			
Land sales receivable	219,230	-	219,230
Land leases receivable	7,364	-	7,364
Advance land lease payments	-	19,086	19,086
Non-Major Funds:			
Public assistance overpayments	797	-	797
Advance payments for Hawaii/Arizona PMMIS Alliance	-	1,276	1,276
Total Current Deferred Revenue for Governmental Funds	583,106	87,281	670,387
Noncurrent Deferred Revenue for Governmental Funds:			
General Fund:			
Advance land lease payments	-	4,552	4,552
Land Endowments Fund:			
Land sales receivable	294,761	-	294,761
Advance land lease payments	-	76,045	76,045
Total Noncurrent Deferred Revenue for Governmental Funds	294,761	80,597	375,358
Total Current and Noncurrent Deferred Revenue for Governmental Funds	$ 877,867	$ 167,878	$ 1,045,745

Current Deferred Revenue for Proprietary Funds:	**Unearned**
Universities:	
Unexpended cash advances received	$ 60,304
Auxiliary sales and services	5,794
IBM lease related to acquisition of research park	4,900
Student tuition and fees	52,356
Deposits	1,651
Other	1,198
Industrial Commission Special Fund:	
Other	46
Non-Major Funds:	
Policyholders' advance premiums	4,383
Magazine subscriptions	2,354
Other	69
Internal Service Funds:	
Other	20
Total Current Deferred Revenue for Proprietary Funds	$ 133,075
Noncurrent Deferred Revenue for Proprietary Funds:	
Universities:	
IBM lease related to acquisition of research park	$ 10,270
Total Noncurrent Deferred Revenue for Proprietary Funds	$ 10,270

NOTE 4. CAPITAL ASSETS

Capital asset activities for the fiscal year ended June 30, 2011 were as follows (expressed in thousands):

	Primary Government				
	Beginning Balance	**Additions**	**Retirements**	**Adjustments & Reclassifications**	**Ending Balance**
Governmental Activities:					
Non-depreciable capital assets:					
Land	$ 2,602,541	$ 122,637	$ (1)	$ 32,629	$ 2,757,806
Construction in progress	3,823,110	566,306	(562,567)	12,931	3,839,780
Development in progress	84,277	553	-	842	85,672
Infrastructure	11,036,788	578,082	(10,305)	1	11,604,566
Total Non-depreciable Capital Assets	17,546,716	1,267,578	(572,873)	46,403	18,287,824
Depreciable capital assets:					
Buildings	1,895,998	5,126	(982)	(307)	1,899,835
Improvements other than buildings	151,356	5,214	(353)	1,363	157,580
Equipment	728,811	53,167	(32,882)	8,595	757,691
Software and other intangibles	130,988	441	(461)	(1,111)	129,857
Infrastructure	21,620	220	-	113	21,953
Total Depreciable Capital Assets	2,928,773	64,168	(34,678)	8,653	2,966,916
Less accumulated depreciation for:					
Buildings	(623,931)	(46,936)	662	96	(670,109)
Improvements other than buildings	(80,596)	(4,605)	272	(12)	(84,941)
Equipment	(550,182)	(58,274)	30,178	(538)	(578,816)
Software and other intangibles	(85,184)	(7,116)	461	(8,479)	(100,318)
Infrastructure	(10,082)	(644)	-	-	(10,726)
Total Accumulated Depreciation	(1,349,975)	(117,575)	31,573	(8,933)	(1,444,910)
Total Depreciable Capital Assets, Net	1,578,798	(53,407)	(3,105)	(280)	1,522,006
Total Governmental Activities Capital Assets, Net	$ 19,125,514	$ 1,214,171	$ (575,978)	$ 46,123	$ 19,809,830

	Beginning Balance	**Additions**	**Retirements**	**Adjustments & Reclassifications**	**Ending Balance**
Business-type Activities:					
Non-depreciable capital assets:					
Land	$ 185,292	$ 851	$ -	$ -	$ 186,143
Construction in progress	255,196	339,610	(489)	(189,474)	404,843
Collections	17,749	908	-	-	18,657
Total Non-depreciable Capital Assets	458,237	341,369	(489)	(189,474)	609,643
Depreciable capital assets:					
Buildings	3,982,408	54,646	(5,950)	165,201	4,196,305
Improvements other than buildings	4,811	5	-	-	4,816
Equipment	1,413,422	90,435	(34,657)	10,829	1,480,029
Infrastructure	383,883	2,134	(3)	13,417	399,431
Total Depreciable Capital Assets	5,784,524	147,220	(40,610)	189,447	6,080,581
Less accumulated depreciation for:					
Buildings	(1,562,932)	(121,718)	3,128	1	(1,681,521)
Improvements other than buildings	(2,881)	(187)	-	-	(3,068)
Equipment	(1,004,693)	(95,450)	30,290	25	(1,069,828)
Infrastructure	(142,114)	(13,115)	2	-	(155,227)
Total Accumulated Depreciation	(2,712,620)	(230,470)	33,420	26	(2,909,644)
Total Depreciable Capital Assets, Net	3,071,904	(83,250)	(7,190)	189,473	3,170,937
Total Business-type Activities Capital Assets, Net	$ 3,530,141	$ 258,119	$ (7,679)	$ (1)	$ 3,780,580

Depreciation expense was charged to governmental functions as follows (expressed in thousands):

General government	$ 24,683
Health and welfare	14,255
Inspection and regulation	1,395
Education	3,098
Protection and safety	49,864
Transportation	15,550
Natural resources	8,730
Total Governmental Activities	$ 117,575

Depreciation expense was charged to business-type activities as follows (expressed in thousands):

Lottery	$ 307
Industrial Commission Special Fund	1,372
Universities	226,962
Other	1,829
Total Business-type Activities	$ 230,470

NOTE 5. PENSION BENEFITS

The State participates in the ASRS, the PSPRS, the EORP, and the CORP. Benefits are established by State statutes and provide retirement, death, and survivor benefits to State employees, public school employees and employees of counties, municipalities, and other State political subdivisions.

A. PARTICIPATING EMPLOYERS

The number of participating government employers as of June 30, 2011 is shown below:

Employer	ASRS	PSPRS	EORP	CORP
Cities and towns	78	144	21	1
Counties and county agencies	15	21	15	15
State	1	1	1	1
Special districts	94	60	-	-
School districts	243	-	-	-
Charter schools	151	-	-	-
Community college districts	10	-	-	-
Dispatchers	-	-	-	8

B. CONTRIBUTIONS, BENEFITS, AND REFUND PAYMENTS

For the ASRS, contributions from employees and employers for service through June 30 are accrued. These contributions are considered to be fully collectible and, accordingly, no allowance for uncollectible receivables is reflected in the financial statements. Pension benefit and refund payments are recognized when due and payable in accordance with the terms of the plan.

For the PSPRS, the EORP, and the CORP, member and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Pension benefits are recognized when due and payable in accordance with the terms of the plan. Refunds are due and payable by state law within 20 days of receipt of a written application for a refund. Refunds are recorded when paid.

C. FUNDING POLICY

The contribution requirements of plan members and the State are established by Title 38, Chapter 5 of the ARS. These contribution requirements may be amended by the Arizona State Legislature.

Cost-sharing plans

For the year ended June 30, 2011, active ASRS members and the State were each required by statute to contribute at the actuarially determined rate of 9.60% and 9.01% of the members' annual covered payroll, respectively. The State's contributions to the ASRS for the years ended June 30, 2011, 2010, and 2009 were $160.508 million, $155.349 million, and $155.820 million, respectively, for the primary government which were equal to the required contributions for these years.

In addition, active EORP members were required by statute to contribute 7.00% of the members' annual covered payroll. The State was required to contribute a designated portion of certain fees collected by the Supreme Court plus additional contributions of 28.02% of the members' annual covered payroll, as determined by actuarial valuation. The State's contributions to EORP for the years ended June 30, 2011, 2010, and 2009 were $2.069 million, $2.643 million, and $2.830 million, respectively, which were equal to the required contributions for these years.

Agent plans

For the year ended June 30, 2011, active PSPRS members were required by statute to contribute 7.65% of the members' annual covered payroll and the participating State agencies were required to contribute at actuarially determined rates of 11.63 – 76.22%. Active CORP members were required by statute to contribute 8.41% of the members' annual covered payroll and the participating State agencies were required to contribute at actuarially determined rates of 6.31 – 7.16%.

D. ANNUAL PENSION COST

The State's annual pension cost, required contributions, and excess other post-employment benefit (OPEB) contributions applied to pensions (see Note 6.A. and B. for explanation) for each of the agent, multiple-employer defined benefit pension plans for the year ended June 30, 2011, are as follows (expressed in thousands):

		Pension Contributions Made	
	Annual Pension Cost	Required Contributions	Excess OPEB Contributions
PSPRS	$ 29,418	$ 29,418	$ 437
CORP	29,466	29,466	2,914

The State's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension for the current and two preceding years follow for each of the agent, multiple-employer defined benefit pension plans. (expressed in thousands)

	Fiscal Year Ended	Annual Pension Cost	Percentage of Annual Cost Contributed	Net Pension
PSPRS	6/30/11	$ 29,418	101%	$ 2,128
	6/30/10	29,008	101%	1,691
	6/30/09	30,588	102%	1,274
CORP	6/30/11	29,466	110%	9,866
	6/30/10	33,251	106%	6,952
	6/30/09	35,022	106%	4,791

E. FUNDED STATUS AND FUNDING PROGRESS

The State's funded status for each of the agent, multiple-employer defined benefit pension plans, as of the most recent actuarial valuation, is as follows (expressed in thousands):

Plan	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Unfunded) AAL	Funded Ratio	Annual Covered Payroll	(Unfunded) AAL as a Percentage of Covered Payroll
PSPRS	6/30/2011	$ 545,586	$ 965,288	$ (419,702)	56.5%	$ 84,347	(497.6)%
CORP	6/30/2011	872,133	1,120,722	(248,589)	77.8%	361,900	(68.7)%

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

F. ACTUARIAL METHODS AND ASSUMPTIONS

The State's actuarial methods and significant assumptions for each of the agent, multiple-employer defined benefit pension plans for the most recent actuarial valuation as of 6/30/11 and actuarial valuation as of 6/30/09 that was used to determine the fiscal year 2011 annual required contribution are as follows:

	PSPRS	CORP	PSPRS	CORP
Actuarial valuation date	6/30/09	6/30/09	6/30/11	6/30/11
Actuarial cost method	projected unit credit	projected unit credit	entry age normal	entry age normal
Actuarial assumptions:				
Investment rate of return	8.50%	8.50%	8.25%	8.25%
Projected salary increases	5.50 – 8.50%	5.50 – 8.50%	5.00 – 8.00%	5.00 – 8.00%
Payroll growth	5.50%	5.50%	5.00%	5.00%
Cost-of-living adjustments	None	None	None	None
Amortization method period	level percent-of-pay closed	level percent-of-pay closed	level percent-of-pay closed	level percent-of-pay closed
Remaining amortization	27 years for unfunded, 20 years for overfunded	27 years for unfunded, 20 years for overfunded	25 years for unfunded, 20 years for overfunded	25 years for unfunded, 20 years for overfunded
Asset valuation method	7-year smoothed market	7-year smoothed market	7-year smoothed market	7-year smoothed market

G. UNIVERSITIES' RETIREMENT PLANS

Faculty, academic professionals, service professionals, and administrative staff at the three universities (the ASU, the NAU, and the U of A) may select one of four retirement plans: the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF), Variable Annuity Life Insurance Company (VALIC), Fidelity Investments Tax-Exempt Services Company (Fidelity), or the ASRS. The ASRS is a defined benefit plan and the other three plans are defined contribution plans. The three defined contribution plans are administered by independent insurance and annuity companies approved by the ABOR. In addition, the U of A employees hired before July 1, 1972, have the option to participate in the defined contribution plan administered by the ASRS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Contributions made by employees vest immediately and the Universities' contributions vest no later than after five years of full-time employment. Employees and Universities' contributions and associated returns earned on investments may be withdrawn starting upon termination of employment, death, or retirement. The distribution of employee contributions and associated investment earnings are made in accordance with the employee's contract with the applicable insurance and annuity company. Universities' contributions and associated investment earnings must be distributed to the employee in the form of an annuity paid over the employee's life.

The Arizona State Legislature establishes and may amend active plan members' and the Universities' contribution rates. For the year ended June 30, 2011, plan members and the three Universities were each required by statute to contribute an amount equal to 7.00% of an employee's compensation, except for a 7.40% member contribution and a 7.84% University contribution for the ASRS defined contribution plan.

Contributions to these plans for the year ended June 30, 2011, were as follows (expressed in thousands):

Plan	University Contributions	Employee Contributions	Total Contributions
TIAA/CREF	$ 30,266	$ 30,266	$ 60,532
VALIC	2,584	2,584	5,168
Fidelity	14,859	14,859	29,718
ASRS	18	17	35

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS

A. PLAN DESCRIPTION

Cost-sharing plans

In addition to the pension benefits described, the ASRS provides health insurance premium supplemental benefits and disability benefits to retired members, disabled members, and eligible dependents through the Health Benefit Supplement Fund (HBS) and the Long Term Disability Fund (LTD), which are cost-sharing, multiple-employer defined benefit post-employment plans. Title 38, Chapter 5 of the ARS assigns the authority to establish and amend the benefit provisions of the HBS plan and the LTD plan to the Arizona State Legislature. The ASRS issues a publicly available financial report that includes the financial information and disclosure requirements for the HBS plan and the LTD plan. Information on how to obtain this report is included in Note 1.A.

The EORP, by statute, is a cost-sharing, multiple employer plan. However, because of its statutory structure, in accordance with GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, paragraphs 5 and 41, the EORP's health insurance premium subsidy benefit (OPEB) is reported for such purposes as an agent, multiple-employer plan. Information on how to obtain the EORP's publicly available financial report is included in Note 1.A. However, the EORP's OPEB benefit is relatively insignificant to the State's financial statements and, therefore, is not further described in these notes or the RSI that follows.

Agent plans

In addition to pension benefits described, the PSPRS and the CORP each offer a health insurance premium subsidy benefit to retired members and survivors, which are agent, multiple-employer defined benefit post-employment plans. Title 38, Chapter 5 of the ARS assigns the authority to establish and amend the health insurance subsidy benefit provisions to the Arizona State Legislature. The PSPRS and the CORP do not administer a separate healthcare plan as defined under IRC § 401(h) or an equivalent agreement. In addition, the PSPRS and the CORP are not statutorily authorized to maintain a separate account for the health insurance subsidy assets and benefits payments. Therefore, in accordance with GASB Statement No. 43, the health insurance subsidy benefit is reported as an agency fund. There are no accumulated assets or liabilities, only contributions and benefit distributions are presented in these funds. All assets of the PSPRS and the CORP are available to pay both pension benefits and the health insurance subsidy benefits. The PSPRS and the CORP each issue publicly available financial reports that include the financial information and disclosure requirements for the health insurance subsidy benefits. Information on how to obtain these reports is included in Note 1.A.

B. CONTRIBUTIONS, BENEFITS, AND REFUND PAYMENTS

Cost-sharing plan

The ASRS recognition of contributions for the HBS plan and the LTD plan are the same as the pension benefit in Note 5.B. Benefit and refund payments are recognized when due and payable in accordance with the terms of the HBS plan and LTD plan.

Agent plans

The PSPRS and the CORP recognition of employer contributions and refunds for the health insurance subsidy benefit are the same as the pension benefit in Note 5.B. Contributions in excess of the health insurance subsidy payments are reported as excess pension contributions in the pension benefit plan. Health insurance subsidy benefits are recognized when due and payable in accordance with the terms of the plan.

C. FUNDING POLICY

The contribution requirements of plan members and the State are established by Title 38, Chapter 5 of the ARS. These contribution requirements are established and may be amended by the Arizona State Legislature.

Cost-sharing plan

For the year ended June 30, 2011, active ASRS members and the State were each required by statute to contribute at the actuarially determined rate of 0.25% of the members' annual covered payroll for LTD. In addition, the State also contributed 0.59% for the HBS. The State's contributions for LTD to the ASRS for the years ended June 30, 2011, 2010, and 2009 were $4.454 million, $7.451 million, and $9.751 million, respectively, for the primary government which were equal to the required contributions for these years. The State's contributions for the HBS to the ASRS for the years ended June 30, 2011, 2010, and 2009 were $10.511 million, $12.294 million, and $18.722 million, respectively, for the primary government which were equal to the required contributions for these years.

Agent plans

For the year ended June 30, 2011, the PSPRS participating State agencies were required to contribute at actuarially determined rates of 1.23 - 5.53% of covered payroll. The CORP participating State agencies were required to contribute at actuarially determined rates of 1.15 - 1.21% of covered payroll.

D. ANNUAL OPEB COST

The State's annual OPEB cost, OPEB contributions made, and increase in OPEB obligation for each of the agent, multiple-employer defined benefit post-employment plans for the year ended June 30, 2011, are as follows (expressed in thousands):

	Annual OPEB Cost	OPEB Contributions Made	Increase in OPEB Obligation
PSPRS	$ 2,180	$ 1,743	$ 437
CORP	5,010	2,096	2,914

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and two preceding years follow for each of the agent, multiple-employer defined benefit post-employment plans. (expressed in thousands)

	Fiscal Year Ended	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
PSPRS	6/30/11	$ 2,180	79.9%	$ 2,128
	6/30/10	2,074	79.9%	1,691
	6/30/09	2,401	71.9%	1,274
CORP	6/30/11	5,010	41.8%	9,866
	6/30/10	3,996	45.9%	6,952
	6/30/09	3,918	44.2%	4,791

E. FUNDED STATUS AND FUNDING PROGESS

The State's funded status for each of the agent, multiple-employer defined benefit post-employment plans, as of the year ended June 30, 2011, is as follows (expressed in thousands):

Plan	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Unfunded) AAL	Funded Ratio	Annual Covered Payroll	(Unfunded) AAL as Percentage of Covered Payroll
PSPRS	6/30/2011	-	$ 29,200	$ (29,200)	0.0%	$ 84,347	(34.6)%
CORP	6/30/2011	-	59,971	(59,971)	0.0%	361,900	(16.6)%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the

notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

F. ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The State's actuarial methods and significant assumptions for each of the agent, multiple-employer defined benefit post-employment plans for the most recent actuarial valuation as of 6/30/11 and actuarial valuation as of 6/30/09 that was used to determine the fiscal year 2011 annual required contribution are as follows:

	PSPRS	CORP	PSPRS	CORP
Actuarial valuation date	6/30/09	6/30/09	6/30/11	6/30/11
Actuarial cost method	projected unit credit	projected unit credit	entry age normal	entry age normal
Actuarial assumptions:				
Investment rate of return	8.50%	8.50%	8.25%	8.25%
Projected salary increases	5.50 – 8.50%	5.50 – 8.50%	5.00 – 8.00%	5.00 – 8.00%
Payroll growth	5.50%	5.50%	5.00%	5.00%
Cost-of-living adjustments	none	none	none	none
Amortization method period	level percent-of-pay closed	level percent-of-pay closed	level percent-of-pay closed	level percent-of-pay closed
Remaining amortization	27 years for unfunded, 20 years for overfunded	27 years for unfunded, 20 years for overfunded	25 years for unfunded, 20 years for overfunded	25 years for unfunded, 20 years for overfunded
Asset valuation method	not applicable	not applicable	not applicable	not applicable

NOTE 7. LONG-TERM OBLIGATIONS

A. REVENUE BONDS

Governmental Activities

1. Department of Administration

The State has pledged portions of its revenues towards the payment of debt service on the State Lottery Revenue Bonds Series 2010A. These bonds provide additional working capital to the State to pay appropriated expenditures of the State's General Fund. The bonds are payable solely from and secured by pledged revenues consisting of, until July 1, 2012, amounts distributable to the State's General Fund from the State Lottery pursuant to Lottery law, and from and after July 1, 2012, all Lottery revenues deposited to the Lottery Fund net of operating expenses of the Lottery. At June 30, 2011, pledged revenues totaled $96.200 million, of which 22.48% ($21.630 million) was required to cover debt service. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of July 1, 2029 is $656.000 million.

2. Arizona Department of Transportation

The ADOT has issued Senior and Subordinated Lien Highway Revenue Bonds to provide funds for acquisition of right-of-way, design, and construction of federal, state, and local highways. The original amount of Highway Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was $1.7 billion**.**

The Highway Revenue Bonds are secured by a prior lien on and a pledge of motor vehicle and related fuel fees and taxes. On September 21, 2006, House Bill 2206 became effective and eliminated the restriction that limited the principal amount of the Highway Revenue Bonds that could be outstanding at any time to $1.3 billion. Also during fiscal year 2007, the ADOT received legislative authority to begin issuing Highway Revenue Bonds with maturities of up to 30 years in length, replacing the 20 year maturity requirement that had been in place since 1980.

The ADOT has pledged future motor vehicle and related fuel fees and taxes to repay $1.6 billion in outstanding Highway Revenue Bonds issued since 2001. Proceeds from the bonds finance portions of the ADOT's Five Year Transportation Facilities Construction Program. The bonds are payable solely from motor vehicle and related fuel fees and taxes and are payable through 2033. The total principal and interest remaining to be paid on the bonds is $2.4 billion. Principal and interest paid for the current year and total pledged revenues were $155.800 million and $503.300 million, respectively. The annual principal and interest payments on the bonds required 31.00% of the pledged revenues**.**

The Maricopa County Regional Area Road Fund is used to record all payments of principal and interest for Transportation Excise Tax Revenue Bonds issued by the ADOT. The Bonds are secured by transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County. The original amount of Transportation Excise Tax Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was $743.815 million. During the year, Transportation Excise Tax Revenue Bonds totaling $180.000 million were issued to pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Maricopa County, Arizona and the costs of issuing the bonds.

The ADOT has pledged future transportation excise taxes to repay $877.845 million in outstanding Transportation Excise Tax Revenue Bonds issued since 2007. Proceeds from the bonds pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Maricopa County, Arizona. The bonds are payable solely from transportation excise taxes and are payable through 2025. The total principal and interest remaining to be paid on the bonds is $1.2 billion. Principal and interest paid for the current year and total pledged revenues were $88.500 million and $206.600 million, respectively. The annual principal and interest payments on the bonds required 42.73% of the pledged revenues.

In prior fiscal years, the ADOT refinanced various bond issues through advance-refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal, redemption premium, if any, and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for the defeased bonds are not reflected in the accompanying financial statements. Refunded bonds for the ADOT at June 30, 2011 totaled $48.595 million.

3. School Facilities Board

In prior fiscal years, the School Facilities Board (SFB) refinanced various bond issues through advance-refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal, redemption premium, if any, and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for the defeased bonds are not reflected in the accompanying financial statements. Refunded bonds for the SFB at June 30, 2011 totaled $535.310 million.

The SFB has pledged portions of its gross revenues towards payment of debt related to State school improvement revenue bonds, State school improvement revenue refunding bonds, State school trust revenue bonds, and State school trust revenue refunding bonds outstanding at June 30, 2011. These bonds finance the correction of existing deficiencies in school facilities in the State of Arizona. These pledged revenues include Education Transaction Privilege Taxes approved by voters as part of Proposition 301 and expendable State School Trust Revenues. Expendable State School Trust Revenues include State Trust Lands' land lease revenue, interest earnings on land sales financed over time, and a formula distribution from the State's Permanent Fund prescribed by the State's Constitution. Pledged revenues do not include sales of State Trust Lands, sales of natural products derived from State Trust Lands, or royalties from minerals extracted from State Trust Lands. These revenues are held in perpetuity for the benefit of various beneficiaries of the State Land Trust and are not available to pay debt service. Expendable State School Revenues in excess of $72.263 million are not available to pay debt service on the State school trust revenue bonds and State school trust revenue refunding bonds per the debt documents. At June 30, 2011, pledged revenues totaled $556.537 million, of which 15.91% ($88.552 million) was required to cover current year debt service. Future pledged revenues required to pay all future debt service on these bonds through final maturity of July 1, 2021 is $771.082 million.

Business-Type Activities

4. Universities

a. University of Arizona

The U of A's bonded debt consists of various issues of system revenue bonds and Stimulus Plan for Economic and Educational Development (SPEED) revenue bonds that are generally callable with interest payable semi-annually. Bond proceeds are used to pay for acquiring or constructing capital facilities and infrastructure. Bond proceeds are also used for refunding obligations from previously issued bonds.

For all outstanding SPEED revenue bonds, up to 80.00% of the debt service payments are payable from the U of A's SPEED revenue bond account monies, which are derived from certain revenues of the Lottery. To the extent SPEED revenue bond account monies are not sufficient to make debt service payments, the SPEED revenue bonds are secured by a pledge of certain gross revenues, such as student tuition and fees, but that pledge is subordinate to the pledge of those gross revenues for the U of A's system revenue bonds.

On June 1, 2011, the U of A sold SPEED Revenue Bonds Series 2011 (2011 Bonds) for $39.595 million dated June 15, 2011. The 2011 Bonds are serial bonds with interest rates of 4.25% and 5.00% and maturity dates ranging from 2016 to 2029. The 2011 Bonds with maturity on or after August 1, 2022, are subject to optional redemption without premium. The 2011 Bonds sold at a premium of $3.786 million. The U of A realized net proceeds of $43.000 million after payment of $381 thousand for issuance costs and underwriter discounts. The net proceeds will be used to finance various building renewal projects across the campus of the U of A.

The outstanding 2010 SPEED Revenue Bonds were issued as designated Build America Bonds under the provisions of the American Recovery and Reinvestment Act (ARRA). As such, the U of A is eligible to receive direct payments from the U.S. Treasury Department equal to 35.00% of the interest payments on such bonds on each interest payment date. In order to receive such payments, the U of A must file certain required information with the Federal government between 90 and 45 days prior to the interest payment date. The amount paid to the U of A by the Federal government may be reduced or eliminated due to such issues as failure by the U of A to submit the required information, amounts owed by the U of A to the Federal government, or changes in the law that would reduce or eliminate such payments. The U of A is currently not aware of any such issues that may adversely affect the amount of payments to be received from the Federal government related to such designated Build America Bonds.

The U of A has pledged portions of its gross revenues towards the payment of debt related to all system revenue bonds, system revenue refunding bonds, and SPEED revenue bonds outstanding at June 30, 2011. The bonds generally provide financing for various capital projects of the U of A. These pledged revenues include student tuition and fees, auxiliary enterprise revenue, sales and service revenue, and other operating revenues such as indirect cost recovery and certain investment income. Pledged revenues do not include State appropriations, gifts, endowment income, or other restricted revenues. At June 30, 2011, pledged revenues totaled $875.800 million, of which 6.10% ($53.300 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 4.00% of pledged revenues. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of August 1, 2044 is $1.1 billion.

b. Northern Arizona University

The NAU's bonded debt consists of various issues that are generally callable at a prescribed date with interest payable semi-annually. All issues are at a fixed rate. Bond proceeds primarily pay for acquiring, constructing, or renovating capital facilities. System revenue bonds are repaid from pledged gross revenues that primarily consist of student tuition and fees, and certain auxiliary revenues.

On December 15, 2010, the NAU defeased $18.700 million of system revenue bonds by depositing $20.872 million into an escrow account that purchased SLGS certificates and notes with maturity dates between June 1, 2011 and June 1, 2017. The present value of this defeased debt prior to December 15, 2010 was $23.179 million and the net present value savings was $2.287 million. The following bonds were defeased on December 15, 2010:

¿ Series 2002 maturities totaling $6.170 million from June 1, 2011 to June 1, 2017 and June 1, 2021 to June 1, 2022.

- ¿ Series 2003 maturities totaling $4.235 million from June 1, 2011 to June 1, 2016.
- ¿ Series 2004 maturities totaling $8.295 million from June 1, 2015 to June 1, 2017.

In the current and prior years, the NAU defeased certain revenue bonds by either placing the proceeds of new bonds, or cash and investments accumulated in a sinking fund, in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 2011, $58.630 million of such bonds outstanding are considered defeased.

The Series 2009A and 2010 Bonds were issued as designated Build America Bonds under the provisions of ARRA. As such, the NAU is eligible to receive direct payments from the U.S. Treasury Department equal to 35.00% of the interest payments on such bonds on each interest payment date. In order to receive such payments, the NAU must file certain required information with the Federal government between 90 and 45 days prior to the interest payment date. The amount paid to the NAU by the Federal government may be reduced or eliminated due to such issues as failure by the NAU to submit the required information, any amounts owed by the NAU to the Federal government, or changes in the law that would reduce or eliminate such payments. The NAU is currently not aware of any such issues that may adversely affect the amount of payments to be received from the Federal government related to such designated Build America Bonds. For accounting purposes, any direct payments received from the U.S. Treasury Department are recorded as nonoperating revenue.

For the 2010 revenue bonds, up to 80.00% of the debt service payments are payable from the NAU's SPEED revenue bond account monies, which are derived from certain revenues of the Lottery. To the extent SPEED revenue bond account monies are not sufficient to make debt service payments, the SPEED revenue bonds are secured by a pledge of certain gross revenues such as student tuition and fees, but that pledge is subordinate to the pledge of those gross revenues for the NAU's system revenue bonds.

The NAU has pledged portions of its gross revenues towards the payment of debt related to system revenue bonds, system revenue refunding bonds, and SPEED revenue bonds outstanding at June 30, 2011. The bonds generally provide financing for various capital projects of the NAU. These pledged revenues include student tuition and fees, certain auxiliary enterprises revenue, investment income, and indirect cost recovery revenue. Pledged revenues do not include State appropriations, gifts, endowment income, or other restricted revenues. At June 30, 2011, pledged revenues totaled $220.500 million, of which 9.20% ($20.300 million) was required to cover current year debt service not related to this year's defeasance. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of June 1, 2040 is $632.200 million.

c. Arizona State University

At June 30, 2011, the ASU had issued a combination of fixed and variable rate bonds. The ASU's long term obligations include various issues of revenue bonds that are generally callable at a prescribed date with interest payable semi-annually. Certain revenue bonds of the ASU were defeased through advance refundings by depositing sufficient U.S. Government securities to pay all future debt service in an irrevocable trust. Accordingly, the liabilities for these defeased bonds are not included in the accompanying financial statements. The principal amount of all defeased bonds outstanding at June 30, 2011 was $36.100 million.

The ASU has pledged portions of its gross revenues towards the payment of debt related to various senior lien system revenue bonds outstanding at June 30, 2011. The related revenue bonds are primarily for new academic and research facilities, academic and laboratory renovations, and infrastructure improvements. These pledged revenues include student tuition and fees, certain auxiliary enterprises revenue, investment income, and indirect cost recovery revenue. Pledged revenues do not include State appropriations, gifts, endowment income, or other restricted revenues. For the year ended June 30, 2011, pledged revenues totaled $876.800 million, of which 6.90% ($60.900 million, net of federal direct payments and Lottery revenue) was required to cover current year debt service. Future pledged revenues required to pay all remaining debt service for system revenue bonds through final maturity of July 1, 2039 is $1.2 billion. In addition, the ASU has pledged the same revenues on a subordinated basis to secure the Series 2006 Arizona State University Research Park, Inc. Development Refunding Bonds and the Series 2010 A/B SPEED Revenue Bonds. Research Park bonds outstanding at June 30, 2011 were $9.400 million with annual debt service requirements of approximately $1.200 million through July 1, 2021. SPEED revenue bonds outstanding at June 30, 2011 were $33.800 million with annual debt service payments of approximately $1.200 million through June 30, 2016 and $3.000 million through August 1, 2030, net of the federal direct payments.

In February 2011, the ASU issued $51.890 million in system revenue bonds having an average maturity of 10.1 years and an average interest rate of 4.51%. The bonds were issued to fund the acquisition of the Centerpoint office building, Tempe Student Heath Center expansion, and various building and campus improvement projects.

In June 2008, the Legislature approved the SPEED which provides the ASU capital improvement funds for critical construction and deferral maintenance. SPEED projects are debt financed with revenue bonds, repaid primarily through Lottery revenues. Specifically, up to 80.00% SPEED debt service is paid from Lottery revenues, with the balance being the responsibility of the ASU as evidenced by the subordinated pledge of ASU revenues. In August 2010, the ASU issued $33.820 million in SPEED subordinate lien revenue bonds, Taxable Series 2010A and Tax-Exempt Series 2010B, to fund building renewal projects across the ASU's campuses. The Taxable Series 2010A bonds were issued as Build America Bonds for $26.425 million with an average maturity of 15.3 years and an average interest rate of 3.87%, net of the federal direct payments. The Tax-Exempt Series 2010B bonds were issued for $7.395 million with an average maturity of 7.5 years and an average interest rate of 2.90%.

The ASU has outstanding two series of variable rate demand system revenue refunding bonds, Series 2008A and B, totaling $101.505 million with final maturities of July 1, 2034. The interest rate in effect on June 30, 2011 was 0.05% for the Series 2008A and B Bonds. To provide credit and liquidity support for the Bonds, the ASU entered into an Irrevocable Letter of Credit and Reimbursement Agreement (LOC) with Lloyds TSB Bank PLC under which the ASU has agreed to pay Lloyds TSB Bank PLC, an annual commitment fee for the letter of credit of 1.55% per annum on the stated amount which consists of the outstanding principal amount of the bonds, plus interest for 51 days, at an assumed rate of 12.00% per annum. The LOC expires on June 15, 2012 and the ASU is in the process of entering into a new LOC agreement. Assuming all of the $50.753 million Series 2008A and $50.752 million Series 2008B bonds are not resold within 90 days, the ASU would be responsible to make quarterly installment principal payments of $5.100 million over a five-year period, plus interest to be calculated as established in the letter of credit.

Effective January 1, 2007, the ASU entered into a $103.000 million notional amount swap agreement (hedging derivative instrument) expiring on July 1, 2034, in conjunction with the 2008 variable rate demand system revenue refunding bonds (2008 Bonds). The $103.000 million in bond principal is not exchanged; it is only the basis on which the interest payments are calculated. The notional amount under the swap decreases as principal payments are made on the 2008 Bonds. The intention of the swap was to effectively convert the variable rate interest on the 2008 Bonds to a synthetic fixed rate. Under the terms of the swap agreement, the ASU pays the counterparty interest calculated at a fixed rate of 3.91% and receives payments from the counterparty based on the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index set weekly. The ASU is exposed to interest rate risk based on the SIFMA indexed variable payment received from the counterparty and the variable rate paid to bondholders. The SIFMA rate at June 30, 2011 was 0.09%. At June 30, 2011, the synthetic fixed interest rate on the bonds was:

Interest Rate Swap	Terms	Rates (%)
Fixed payment to counterparty	Fixed	3.91
Variable payment from counterparty	SIFMA	(.09)
Net interest rate swap payments		3.82
Variable-rate bond coupon payments	Spread to SIFMA	.05
Synthetic fixed interest rate on bonds		3.87

The ASU continues to pay interest to the bondholders at the variable rate provided by the bonds. However, during the term of the swap agreement, the ASU effectively pays a fixed rate on the debt. If a default occurs regarding the swap agreement, the non-defaulting party may designate a date to terminate the agreement. The ASU will revert to paying a variable rate if the counterparty defaults or if the swap is terminated. A termination of the swap agreement may also result in the ASU making or receiving a termination payment.

The swap exposes the ASU to basis risk should the weekly SIFMA rate paid by the counterparty fall below the weekly interest rate due on the bonds. This basis risk can be the result of a downgrade of the ASU's rating or the pricing of the ASU's bonds by the remarketing agent at rates higher than the SIFMA index.

As of June 30, 2011, the ASU was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the ASU would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated A+ by Fitch, A by S & P, and A2 by Moody's Investor Services as of June 30, 2011. Based on the current ratings, the counterparty was not required to provide collateral. In the event a rating downgrade occurs, the counterparty may be required to provide collateral if the ASU's overall exposure exceeds predetermined levels. Collateral may be held by the ASU or a third party custodian.

As of June 30, 2011, the swap had a fair value of $(10.028) million, which represents the cost to the ASU to terminate the swap. The June 30, 2010 fair value was $(11.126) million. The fair value was developed by an independent third party, with no vested interest in the transaction, using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. In accordance with GASB 53, the fair value of the ASU's hedging derivative instrument is reported on the statement of net assets as an asset (deferred outflow) and a liability (derivative instrument).

Securities and cash restricted for bonds debt service held by the trustee at June 30, 2011 totaled $49.400 million.

The ASU presently plans to issue up to $136.000 million in senior lien system revenue bonds and $32.000 million in subordinate lien SPEED bonds during fiscal year 2012.

Summary of Revenue Bonds

The following schedule summarizes revenue bonds outstanding at June 30, 2011 (expressed in thousands):

Revenue Bonds Outstanding	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2011
Governmental Activities:				
Department of Transportation	2001-2011	2012-2033	2.00-5.50%	$2,478,700
School Facilities Board	2002-2008	2012-2021	.14-5.75%	624,995
Department of Administration	2010	2013-2029	3.00-5.00%	425,420
Business-type Activities:				
University Revenue Bonds	1992-2011	2012-2045	.05-6.64%	1,742,125

Principal and interest debt service payments on revenue bonds outstanding at June 30, 2011 are as follows (expressed in thousands):

	Annual Debt Service						
	Governmental Activities			Business-type Activities			
Fiscal Year	Total Principal	Total Interest	Total	Total Principal	Total Interest	Net Payments (Receipts) on Swap Agreement	Total
2012	$ 179,455	$ 173,955	$ 353,410	$ 51,805	$ 85,808	$ 3,791	$ 141,404
2013	205,390	164,847	370,237	58,795	82,936	3,699	145,430
2014	215,560	154,653	370,213	66,520	80,043	3,602	150,165
2015	225,390	143,837	369,227	67,400	76,947	3,501	147,848
2016	242,795	132,812	375,607	65,940	73,815	3,395	143,150
2017-2021	1,222,390	479,967	1,702,357	345,735	321,841	15,187	682,763
2022-2026	874,700	210,186	1,084,886	360,915	237,523	11,620	610,058
2027-2031	279,520	58,639	338,159	339,270	145,279	7,070	491,619
2032-2036	83,915	6,341	90,256	222,315	78,067	1,552	301,934
2037-2041	-	-	-	136,775	24,824	-	161,599
2042-2045	-	-	-	26,655	3,635	-	30,290
Total	$ 3,529,115	$ 1,525,237	$ 5,054,352	$ 1,742,125	$ 1,210,718	$ 53,417	$ 3,006,260

B. GRANT ANTICIPATION NOTES

Grant Anticipation Notes (GANs) are issued by the ADOT and secured by revenues received from the Federal Highway Administration under grant agreements and certain other federal-aid revenues. The original amount of GANs issued in prior years and outstanding at the start of the fiscal year was $304.480 million. During the year, GANs totaling $158.585 million were issued to pay the costs of projects (as specified) and the costs of issuing the bonds.

The ADOT has pledged federal revenues to repay $392.495 million in outstanding GANs issued since 2003. Proceeds from the bonds pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Arizona. The bonds are payable solely from federal revenues and are payable through 2026. The total principal and interest remaining to be paid on the bonds is $510.280 million. Principal and interest paid for the current year and total pledged revenues were $85.400 million and $643.600 million, respectively. The annual principal and interest payments on the bonds required 13.30% of the pledged revenues.

Grant Anticipation Notes currently outstanding are as follows (expressed in thousands):

Grant Anticipation Notes Outstanding	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2011
Governmental Activities:				
Department of Transportation	2004-2011	2012-2026	2.50-5.00%	$ 392,495

Future debt service principal and interest payments on Grant Anticipation Notes issues for fiscal years ended June 30 are summarized below (expressed in thousands):

Annual Debt Service			
Governmental Activities			
Fiscal Year	Total Principal	Total Interest	Total Debt Service
2012	$ 43,885	$ 19,302	$ 63,187
2013	45,340	17,181	62,521
2014	55,265	15,019	70,284
2015	53,330	12,287	65,617
2016	47,355	9,674	57,029
2017-2021	64,780	31,040	95,820
2022-2026	82,540	13,282	95,822
Total	$ 392,495	$ 117,785	$ 510,280

C. CERTIFICATES OF PARTICIPATION

Governmental Activities

1. Department of Administration

The State has issued COPs to finance construction or improvements of various capital assets. Additionally, the State issued COPs Series 2010A and 2010B to finance the acquisition of certain property from the State by the Trustee, with which the proceeds of were deposited to the State's General Fund to pay appropriated expenditures of the State. The COPs Series 2010A and 2010B sale-leaseback transactions are nominal sales, with the State retaining all rights of ownership and control of the properties. Accordingly, they are accounted for under the financing method since the State has such an extensive continuing involvement in the properties for the entire duration of the agreement. The State's obligation to make lease payments and any other obligations of the State under the lease are subject to, and dependent upon, annual appropriations made by the State Legislature and annual allocations of such appropriations being made by the Department of Administration for such purpose. The Department of Administration agrees to use its best efforts to budget, obtain, allocate, and maintain sufficient appropriated monies to make lease payments. In the event any such appropriation and allocation is not made, the leases will terminate and there can be no assurance that the proceeds for the re-leasing or sale of the projects will be sufficient to pay principal and interest with respect to the then outstanding COPs. The scheduled payments of principal and interest with respect to the COPs are guaranteed under certificate insurance policies. The State's obligation to make lease payments does not constitute a debt or liability of the State within the meaning of any constitutional or statutory limitation. Neither the full faith and credit nor the general taxing power of the State is pledged to make payments of principal or interest due with respect to the COPs. Such payments will be made solely from amounts derived under the terms of the lease, including lease payments, and amounts from time to time on deposit under the terms of the declaration of trust.

2. School Facilities Board

In prior fiscal years, the SFB refinanced various COPs through advance-refunding arrangements. Under the terms of the refundings, sufficient assets to pay all principal, redemption premiums, if any, and interest on the refunded COPs have been placed in irrevocable trust accounts at commercial banks and invested in U.S. securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for the defeased COPs are not reflected in the accompanying financial statements. Refunded COPs for the SFB at June 30, 2011 totaled $311.130 million.

On August 3, 2010, the SFB, through The Bank of New York Mellon Trust Company, NA (BNY), issued Refunding COPs Series 2010A-1, 2010A-2, and 2010A-3 for $11.100 million, $10.000 million, and $37.685 million, respectively. The 2010A-1 COPs include $11.100 million of serial certificates with interest rates ranging from 3.00% to 3.50% and maturity dates of 2019 and 2020. The 2010A-2 COPs include $10.000 million of serial certificates with interest rates ranging from 3.00% to 5.00% and maturity dates of 2019 and 2020. The 2010A-3 COPs include $37.685 million of serial certificates with interest rates ranging from 3.00% to 5.00% and maturity dates of 2019 and 2020. The 2010A-1, 2010A-2 and 2010A-3 COPs are not subject to optional redemption prior to their stated maturities. The SFB realized net proceeds from the 2010A-1, 2010A-2 and 2010A-3

COPs of $61.415 million after receipt of $3.415 million net original issue premium and payment of $785 thousand for issuance costs. The SFB net proceeds were used to pay the September 1, 2010 maturities on the Series 2003B, 2004B, and 2008 COPs in the amounts of $12.670 million, $11.145 million, and $29.000 million, respectively, and $8.600 million of interest on the 2008 COP due on September 1, 2010. The current-refunding resulted in additional debt service payments of $19.055 million and a net present value cost of $724 thousand (difference between the present values of the old debt and new debt service payments) for the SFB.

On October 7, 2010, the SFB, through BNY, issued COPs Series 2010 for $91.325 million. The 2010 COPs include $91.325 million of term certificates with an interest rate of 6.00% and a maturity date of September 1, 2027. The SFB made an irrevocable election to treat the 2010 COPs as Qualified School Construction Bonds pursuant to the debt documents and in accordance with Internal Revenue Service regulations. Consequently, interest evidenced by the 2010 COPs will be includable in gross income of the Beneficial Owners thereof for federal income tax purposes and the Beneficial Owners of the 2010 COPs will not be entitled to any tax credits as a result of either ownership of the 2010 COPs or receipt of any interest payments on the 2010 COPs. Beneficial Owners of the 2010 COPs should consult their tax advisors with respect to the inclusion of interest evidenced by the 2010 COPs in gross income for federal income tax purposes. The 2010 COP term certificates are subject to mandatory or optional prepayment pursuant to the debt documents. The SFB realized net proceeds of $90.432 million after payment of $893 thousand of issuance costs, including underwriters' discount. The 2010 COPs were issued to: (i) finance the costs of acquiring leasehold interests in school sites and certain school facilities, which will be subleased to various schools districts within the State, as well as the costs of other new school facilities, and (ii) pay the costs of issuance.

Business-Type Activities

3. Universities

a. University of Arizona

The U of A utilizes COPs and various capital leases to acquire buildings, equipment, and land. The COPs are generally callable, and the capital leases are subject to prepayment.

In fiscal year 2003, the U of A refunded, in advance of maturity, a portion of outstanding COPs Series 2001B. At June 30, 2011, the outstanding principal balance for the COPs Series 2001B was $1.015 million, which will be paid by investments held in an irrevocable trust with a fair market value of $1.064 million. Accordingly, the trust account assets and liability for these defeased COPs are not included in the accompanying financial statements.

In fiscal year 2007, the U of A refunded, in advance of maturity, a portion of outstanding COPs Series 2001B and 2002A. At June 30, 2011, the total outstanding principal balance for the COPs Series 2001B and 2002A was $47.845 million, which will be paid by investments held in an irrevocable trust with a fair value of $48.177 million. Accordingly, the trust account assets and liability for these defeased COPs are not included in the accompanying financial statements.

b. Arizona State University

At June 30, 2011, the ASU has issued fixed rate COPs. The ASU's non-bonded debt consists of various issues of COPs that are generally callable at a prescribed date with interest payable semi-annually. Certain COPs of the ASU have been defeased through advance refundings by depositing sufficient U.S. Government securities to pay all future debt service in an irrevocable trust. Accordingly, the liabilities for these defeased COPs are not included in the accompanying financial statements. The principal amount of all such COPs outstanding at June 30, 2011 was $65.400 million.

In April 2011, the ASU issued $8.465 million of refunding COPs to call all outstanding 1999A/B Downtown Campus Mercado COPs. The refunded debt is considered defeased and related liabilities are not included in the accompanying financial statements. The issuance of refunding COPs, with an average maturity of 7.7 years and an average interest rate of 4.27%, resulted in a $1.400 million reduction in future debt service payments, with an economic gain of $1.200 million based upon the present value savings.

Securities and cash restricted for COP debt service held by the trustee at June 30, 2011 totaled $6.300 million.

A summary of the COPs issued as of June 30, 2011 is as follows (expressed in thousands):

Project	Issue Date	Final Maturity Date	Original Amount Issued	Outstanding Balance	Interest Rates
Governmental Activities:					
Department of Administration:					
Refunding Certificates of 92A, 92C, & 1091	2001	2012	$ 57,930	$ 2,410	4.30
Health Lab/HRIS 2002A	2002	2023	63,270	30,585	4.25 – 5.50
Refunding Certificates of 92B	2003	2011	75,295	-	N/A
Refunding Certificates of 93B	2004	2012	16,725	2,880	5.00
1000 Bed Prison 2004B	2004	2019	31,965	20,800	4.00 – 5.25
4000 Bed Prison, Wastewater Upgrades, Forensic Unit 2008A	2008	2028	238,990	220,730	3.25 – 5.00
General Fund Budget Reconciliation 2010A	2010	2030	709,090	709,090	2.00 – 5.25
General Fund Budget Reconciliation 2010B	2010	2030	289,705	289,705	2.00 – 5.00
School Facilities Board:					
New School Construction 2003A	2003	2014	372,730	106,715	4.00 – 5.00
New School Construction 2003B	2004	2015	194,610	56,880	3.70 – 5.25
New School Construction 2004A	2004	2019	47,160	29,715	3.00 – 5.00
New School Construction 2004B	2005	2017	190,040	80,270	4.25 – 5.25
New School Construction 2004C	2005	2020	47,585	34,565	4.75 – 5.00
Refunding Certificates of 2003A	2005	2018	201,125	197,225	3.00 – 5.00
Refunding Certificates of 2003B	2005	2019	80,055	76,370	3.00 – 5.00
Refunding Certificates of 2004B	2005	2020	53,045	52,170	3.00 – 5.00
New School Construction 2008	2009	2024	580,035	551,035	4.00 – 5.75
Refunding Certificates of 2003B	2011	2020	11,100	11,100	3.00 – 3.50
Refunding Certificates of 2004B	2011	2020	10,000	10,000	3.00 – 5.00
Refunding Certificates of 2008	2011	2020	37,685	37,685	3.00 – 5.00
Qualified School Construction 2010	2011	2028	91,325	91,325	6.00
Total Governmental Activities			$ 3,399,465	$ 2,611,255	

Project	Issue Date	Final Maturity Date	Original Amount Issued	Outstanding Balance	Interest Rates
Business-type Activities:					
Arizona State University:					
Towers Project	1991	2011	$ 4,500	$ -	6.89
Downtown Center – 1999A	1999	2025	5,620	-	5.78
Downtown Center – 1999B	1999	2025	5,165	-	8.02
2002 Certificates of Participation	2002	2027	103,800	14,130	4.76
2004 Certificates of Participation	2005	2031	80,275	72,250	4.89
2005A Certificates of Participation	2005	2031	110,115	98,500	4.36
2006 Certificates of Participation	2006	2031	15,810	13,995	4.52
2006 Refunding Certificates of Participation	2007	2027	65,890	64,580	4.15
2011A Mercado Refunding Certificates of Participation	2011	2025	8,465	8,465	4.27
University of Arizona:					
Fixed Student Union A	1999	2020	21,607	4,581	5.00 – 5.13
Park Std. Union/Learning Svcs/6th St Garage/TEP Bldg.	2001	2012	31,695	1,415	4.45
Gittings Bldg/Highland Infra/Life Sci.	2001	2014	21,425	2,185	4.75 – 5.00
Student Housing, Health Bldg., UA North	2002	2022	76,965	8,025	5.00 – 5.50
Meinel Bldg & Refund COPS 1994B	2002	2023	29,845	25,145	4.75 – 5.13
Refund COPS 1997 & Portion of Series 2001B	2003	2022	10,615	10,615	3.50 – 5.00
Med. Research. Bldg./Biomed Sci.&Biotech/Tech. Infra.	2004	2031	153,960	133,675	4.45 – 5.25
Chem.Bldg./Res.Life/Highland Pkg.Garage/Rfnd. COPS 1994A	2004	2029	42,020	27,285	4.50 – 5.25
Refund COPs 1999A	2005	2024	12,660	12,660	4.00 – 5.00
Refund COPs 1999	2005	2024	14,825	14,825	5.00
Refund COPs 2001A	2005	2022	16,330	16,330	4.13 – 5.00
Refund COPs 1999, 1999A&B, 2000A, 2001A&B, 2002A&B, 2003A&B, 2004A	2006	2025	29,460	25,745	3.75 – 5.00
Refund COPs 1999A&B, 2000A, 2001A&B, 2002A&B, 2003A&B, 2004A	2006	2025	58,650	56,670	3.88 – 5.00
Biomed Research Collaborative Bldg. Project	2006	2031	18,240	16,315	4.00 – 5.00
Refund COPs 2001A, 2001B, 2002A, 2004B	2007	2031	105,080	104,480	3.50 – 4.50
Northern Arizona University:					
2004 Certificates of Participation	2005	2031	37,585	33,730	4.85
2005 Certificates of Participation	2006	2031	40,255	35,975	4.65
2006 Certificates of Participation	2006	2031	12,445	11,130	4.35
Total Business-type Activities			$ 1,133,302	$ 812,706	

Principal and interest debt service requirements on COPs outstanding at June 30, 2011 are as follows (expressed in thousands):

	Annual Debt Service					
	Governmental Activities			Business-type Activities		
Fiscal Year	Total Principal	Total Interest	Total Amount Required	Total Principal	Total Interest	Total Amount Required
2012	$ 115,430	$ 129,986	$ 245,416	$ 34,437	$ 38,213	$ 72,650
2013	162,412	121,384	283,796	36,661	36,756	73,417
2014	169,958	113,626	283,584	38,443	35,001	73,444
2015	177,998	105,380	283,378	38,434	33,741	72,175
2016	186,553	96,597	283,150	44,790	29,167	73,957
2017-2021	882,164	347,502	1,229,666	252,226	121,610	373,836
2022-2026	570,109	174,734	744,843	205,225	62,308	267,533
2027-2031	346,631	41,492	388,123	162,490	19,556	182,046
Total	$ 2,611,255	$ 1,130,701	$ 3,741,956	$ 812,706	$ 376,352	$ 1,189,058

D. LEASES

1. Leases

The State has entered into capital lease agreements for the acquisition of buildings and equipment. Capital lease assets and liabilities are reported on the government-wide Statement of Net Assets. A lease is reported as a capital lease if one or more of the following criteria are met:

¿ Title to or ownership of the asset is transferred to the State at the end of the lease.

¿ The lease contains a bargain purchase option.

¿ The lease term is equal to 75.00% or more of the useful life of the leased asset. (This criterion does not apply if the beginning lease term falls within the last 25.00% of the total useful life of the asset.)

¿ The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90.00% of the fair market value of the leased asset. (This criterion does not apply if the beginning lease term falls within the last 25.00% of the total useful life of the asset.)

The future minimum lease payments for long-term capital leases as of June 30, 2011 are summarized below (expressed in thousands):

	Annual Debt Service	
Fiscal Year	Governmental Activities	Business-type Activities
2012	$ 45,610	$ 13,068
2013	45,607	12,967
2014	45,915	12,478
2015	46,252	12,480
2016	46,521	12,228
2017-2021	230,849	56,525
2022-2026	229,749	61,072
2027-2031	27,412	62,668
2032-2036	2,782	42,602
2037-2040	-	3,917
Total minimum lease payments	720,697	290,005
Less: amount representing interest	(240,407)	(122,164)
Less: amount representing executory costs	(79,750)	-
Present Value of Net Minimum Lease Payments	$ 400,540	$ 167,841

2. Capital Assets Financed through Capital Leases

The following table summarizes the historical costs of assets acquired under capital leases (expressed in thousands):

	Governmental Activities	Business-type Activities
Land	$ 435	$ 1,816
Buildings	387,728	192,753
Equipment	6,693	1,560
	394,856	196,129
Less: accumulated depreciation	(42,077)	(29,498)
Carrying Value	$ 352,779	$ 166,631

E. COMPENSATED ABSENCES

Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. The compensated absence liability attributable to governmental activities will be liquidated primarily by the General Fund. During fiscal year 2011, the State paid for compensated absences as follows: 74.61% from the General Fund, 18.55% from other funds, and 6.84% from other major funds.

F. CHANGES IN LONG-TERM OBLIGATIONS

The following is a summary of changes in Long-term Obligations (expressed in thousands):

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Due Within One Year	Due Thereafter
Governmental Activities:						
Long-term Debt:						
Revenue bonds	$ 3,522,605	$ 180,000	$ (173,490)	$ 3,529,115	$ 179,455	$ 3,349,660
Grant anticipation notes	304,480	158,585	(70,570)	392,495	43,885	348,610
Certificates of participation	2,571,125	150,110	(109,980)	2,611,255	115,430	2,495,825
Capital leases	412,919	4,583	(16,962)	400,540	16,365	384,175
Installment purchase contracts	901	-	(656)	245	245	-
Notes payable	60,712	11,113	(11,934)	59,891	16,783	43,108
Premiums and discounts on debt	334,721	42,291	(34,410)	342,602	30,464	312,138
Deferred amounts on refundings	(5,197)	-	3,976	(1,221)	(408)	(813)
Total Long-term Debt	7,202,266	546,682	(414,026)	7,334,922	402,219	6,932,703
Other Long-term Liabilities:						
Compensated absences	275,535	192,235	(191,625)	276,145	153,746	122,399
Pollution remediation obligations	21,190	371	-	21,561	1,204	20,357
Total Other Long-term Liabilities	296,725	192,606	(191,625)	297,706	154,950	142,756
Total Long-term Obligations	$ 7,498,991	$ 739,288	$ (605,651)	$ 7,632,628	$ 557,169	$ 7,075,459
Business-type Activities:						
Long-term Debt:						
Revenue bonds	$ 1,692,825	$ 125,305	$ (76,005)	$ 1,742,125	$ 51,805	$ 1,690,320
Certificates of participation	840,719	8,682	(36,695)	812,706	34,437	778,269
Capital leases	171,448	945	(4,552)	167,841	4,660	163,181
Installment purchase contracts	13,043	1,153	(3,685)	10,511	2,586	7,925
Notes payable	360	-	(68)	292	70	222
Premiums and discounts on debt	39,705	6,921	(5,233)	41,393	1,582	39,811
Deferred amounts on refundings	(23,100)	(338)	2,563	(20,875)	(1,303)	(19,572)
Total Long-term Debt	2,735,000	142,668	(123,675)	2,753,993	93,837	2,660,156
Other Long-term Liabilities:						
Compensated absences	69,962	94,706	(93,817)	70,851	15,930	54,921
Total Other Long-term Liabilities	69,962	94,706	(93,817)	70,851	15,930	54,921
Total Long-term Obligations	$ 2,804,962	$ 237,374	$ (217,492)	$ 2,824,844	$ 109,767	$ 2,715,077

The above long-term obligations relating to governmental activities include internal service funds. Amounts for compensated absences differ from those in the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets because $128.666 million of compensated absences are attributable to internal service funds. These amounts are included in the reconciliation as part of internal service fund net assets.

NOTE 8. INTERFUND TRANSACTIONS

INTERFUND BALANCES AND TRANSFERS

Interfund Receivables/Payables

Interfund balances as of June 30, 2011 are as follows (expressed in thousands):

	Due To							
Due From	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Non-Major Governmental Funds	Universities Funds	Non-Major Enterprise Funds	Internal Service Funds	Total Due To
General Fund	$ -	$ -	$ 226	$ 10,365	$ 197,552	$ 10	$ 1,627	$ 209,780
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	8,558	-	-	6,155	-	97	-	14,810
Land Endowments Fund	119	-	-	-	-	-	15	134
Non-Major Governmental Funds	20,251	1,627	-	476	-	-	330	22,684
Unemployment Compensation Fund	9	-	-	509	-	-	-	518
Lottery Fund	16,221	-	-	2,872	5,963	-	-	25,056
Non-Major Enterprise Funds	-	-	-	-	-	-	1	1
Internal Service Funds	1,116	132	-	225	-	-	3	1,476
Total Due From	$ 46,274	$ 1,759	$ 226	$ 20,602	$ 203,515	$ 107	$ 1,976	$ 274,459

Interfund balances represent (1) amounts due to and from the internal service funds for goods and services rendered, and (2) cash transferred between funds for various interfund activities subsequent to the balance sheet date. The cash is recorded in the fund which initiated the transfer, and a corresponding liability is recorded. The receiving fund records an interfund receivable.

Interfund Transfers

Transfers for the year ended June 30, 2011 are as follows (expressed in thousands):

	Transferred To								
Transferred From	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Non-Major Governmental Funds	Universities Fund	Industrial Commission Special Fund	Non-Major Enterprise Funds	Internal Service Funds	Total Transfers Out
General Fund	$ -	$ 605	$ 60	$ 155,477	$ 876,278	$ -	$ -	$ -	$ 1,032,420
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	4,907	-	-	331,547	-	-	-	2,400	338,854
Land Endowments Fund	753	-	-	25,865	-	-	-	-	26,618
Non-Major Governmental Funds	150,219	196	-	23,899	-	1,350	850	-	176,514
Unemployment Compensation Fund	15	-	-	1,980	-	-	-	-	1,995
Lottery Fund	103,035	-	-	37,331	5,963	-	-	-	146,329
Non-Major Enterprise Funds	2,076	-	-	-	-	-	-	-	2,076
Internal Service Funds	22,416	-	-	1,659	-	-	851	1,090	26,016
Total Transfers In	$ 283,421	$ 801	$ 60	$ 577,758	$ 882,241	$ 1,350	$ 1,701	$ 3,490	$ 1,750,822

Interfund transfers represent legally authorized non-exchange transfers of funds. These transfers include: (1) legislative appropriations from the General Fund, (2) other legislative transfers, (3) statutorily required transfers, (4) transfers related to the elimination of funds, and (5) transfers for debt service.

NOTE 9. ACCOUNTING CHANGES

FUND FINANCIAL STATEMENTS

Fund Balances and Net Assets have been restated as follows (expressed in thousands):

	Governmental Funds		Proprietary Funds
	General	Non-major Governmental	Internal Service
Fund Balances/Net Assets, as previously reported	$ (754,731)	$ 1,180,213	$ (322,972)
Fund Reclassification	7,733	(9,041)	1,308
Fund Balances/Net Assets, as restated	$ (746,998)	$ 1,171,172	$ (321,664)

Fund Reclassification

In fiscal year 2011, the State implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement clarified the existing governmental fund type definitions. Fund balances and net assets were restated for fund reclassifications that occurred to comply with these new provisions.

NOTE 10. GOVERNMENTAL FUND BALANCES

Detail of the fund balance categories and classifications shown in the aggregate on the governmental funds balance sheet for the year ended June 30, 2011 are as follows (expressed in thousands):

	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Non-Major Governmental Funds	Total
Fund Balances:					
Nonspendable:					
Inventory	$ 716	$ 9,765	$ -	$ -	$ 10,481
Permanent fund principal	-	-	3,234,315	-	3,234,315
Restricted for:					
General government	20,733	-	-	24,847	45,580
Health and welfare	157,240	-	-	3,754	160,994
Inspection and regulation	4,067	-	-	-	4,067
Education	16,419	-	-	495,418	511,837
Protection and safety	25,700	-	-	248	25,948
Natural resources	4,447	-	-	7,044	11,491
Debt service	-	-	-	30,131	30,131
Capital projects	-	653,649	-	316,901	970,550
School facilities improvements	88,865	-	-	-	88,865
Committed to:					
General government	-	-	-	102,936	102,936
Health and welfare	21,801	-	-	58,799	80,600
Inspection and regulation	5,910	-	-	64,937	70,847
Education	10,389	-	-	-	10,389
Protection and safety	10,799	-	-	57,653	68,452
Transportation	-	126,812	-	-	126,812
Natural resources	89,598	-	-	41,310	130,908
School facilities improvements	2,686	-	-	-	2,686
Unassigned:	(1,162,531)	-	(39,009)	-	(1,201,540)
Total Fund Balances	$ (703,161)	$ 790,226	$ 3,195,306	$ 1,203,978	$ 4,486,349

NOTE 11. FUND DEFICIT

A. HEALTHCARE GROUP OF ARIZONA

In fiscal year 2011, the Healthcare Group of Arizona (HCG), a non-major enterprise fund, reported operating income of $4.920 million and an increase in net assets of $6.021 million. This continues a positive turn-around trend that began in fiscal year 2008 when the HCG began successfully managing both program and administrative costs through a series of cuts, changes, realignments, and premium adjustments to match revenues with expenses. Overall, fiscal year 2011 operating results decreased the HCG's fund deficit to $2.989 million at June 30, 2011 as compared to the $9.010 million fund deficit at June 30, 2010.

Prior to fiscal year 2008, the HCG was unable to cover its costs due to net medical losses (medical costs exceeded premiums received). Since ending fiscal year 2007 with a liability of $22.509 million, the HCG has reduced this balance by $15.735 million using cash generated from operations, General Fund subsidies, reinsurance, and forgiveness of debt. Since 2010, the HCG has not received General Fund subsidies to offset prior year losses. Additionally, in fiscal years 2010 and 2011, the HCG made cash transfers to the General Fund in the amount of $365 thousand and $453 thousand mandated by Laws 2009, Chapter 11 and Laws 2011, Chapter 24, respectively.

The following table summarizes the HCG's reconciliation liability activity for fiscal year 2011 (expressed in thousands):

	Reconciliation Period		
	FY 07	FY 08	Total
Balance June 30, 2010	$ 8,683	$ 3,699	$ 12,382
Payments made	(2,915)	(55)	(2,970)
Adjustments	(2,447)	(191)	(2,638)
Balance June 30, 2011	$ 3,321	$ 3,453	$ 6,774

There was no reconciliation liability for fiscal year 2009. The remaining reconciliation liability will be paid by allocating 2% of medical premium revenues for a reconciliation reserve, from residual earnings, and from any State subsidies provided by the Legislature. The balance of the reconciliation liability has decreased in every year since fiscal year 2007.

There can be no assurance that operating improvements realized over the past four fiscal years will continue to occur or will provide sufficient cash to fund operating expenses. Additionally, if there is an unexpected and adverse change in enrollment and premium increases are not sufficient to fund the reserves for past losses, then the HCG will be required to further scale back administrative expenditures to a level supported by actual enrollment. Should the HCG be required to accelerate payments for prior year reconciliation liabilities before it has sufficient funds to provide such payments and new terms are not negotiated, or the Legislature does not provide the HCG with additional subsidies, it raises substantial doubt about the HCG's ability to continue as a going concern.

In conclusion, even though management currently projects that the positive financial trend will continue, $2.989 million remained as a fund deficit at June 30, 2011 due to the outstanding reconciliation liability owed to the HMOs for prior fiscal years. It is, however, anticipated that operations will generate sufficient cash flow in the future to entirely pay off the remaining deficit by April 2013.

The HCG plans to continue operations and to continue to pay down the outstanding liability. Accordingly, the accompanying financial statements have been prepared assuming that the HCG will continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the HCG be unable to continue as a going concern.

B. RISK MANAGEMENT FUND

The Risk Management Fund (RMF), an internal service fund, had a deficit of $300.824 million primarily due to the RMF receiving annual funding only for expected paid claims (self-insured and excess insurance expenditures, legal and other claim related expenditures, and administrative expenditures), and not being funded for non-current accrued insurance losses. Accrued insurance losses of the RMF are not considered when determining funding for each fiscal year.

C. RETIREE SICK LEAVE FUND (RASL)

The RASL, an internal service fund, pays retirees for their accumulated sick leave upon retirement from State service when they meet certain criteria. Beginning with fiscal year 2008, the State applied the provisions of GASB Statement No. 16, Accounting for Compensated Absences to the RASL. This results in a liability in the RASL which is significantly greater than the actual funding of the RASL, because the liability is based upon an estimate of the total RASL benefit earned by existing employees at the balance sheet date; however, State agencies pay for only one year based on a 0.40% charge on gross payroll. The $124.174 million fund deficit is primarily due to the above funding mechanism.

NOTE 12. JOINT VENTURE

The U of A is a participant in the Large Binocular Telescope Corporation (LBT). The LBT was formally incorporated as a nonprofit corporation in August 1992 pursuant to a Memorandum of Understanding, as amended, executed on February 24, 1989, between the U of A and the Arcetri Astrophysical Observatory in Florence, Italy. The purpose of the joint venture is to design, develop, construct, own, operate, and maintain a binocular telescope located in Arizona. The current members of the LBT are the U of A, INAF Astrophysical Observatory, Research Corporation for Science Advancement, The Ohio State University, and LBT Beteiligungsgesellschaft.

The U of A has committed resources equivalent to 25.00% of the LBT's construction costs and annual operating costs. As of June 30, 2011, the U of A has made cash contributions of $18.159 million toward the project's construction costs, which were recorded as long-term investments on the Statement of Net Assets. The U of A's financial interest represents its future viewing/observation rights. As of December 31, 2007, the assets had been substantially completed and the telescope entered the commissioning phase. During calendar year 2007, the telescope became operational for research purposes; thus, depreciation of the property and equipment has commenced. The U of A recorded its proportionate share of the use of the viewing/observation rights, $786 thousand in calendar year 2010, as a reduction in its investment. At June 30, 2011, the investment totaled $15.221 million. According to the audited financial statements of the LBT for the year ended December 31, 2009, assets, liabilities, revenues, and expenses totaled $129.000 million, $4.000 million, $14.000 million, and $11.000 million, respectively. The audited financial statements of the LBT for the year ended December 31, 2010 were not yet available.

The LBT's separate audited financial statements can be obtained from the University of Arizona Comptroller at the University of Arizona, Financial Services, P.O. Box 3310, Tucson, AZ 85722-3310.

NOTE 13. COMMITMENTS, CONTINGENCIES, AND COMPLIANCE

A. INSURANCE LOSSES

The Department of Administration – Risk Management Division manages the State's property, environmental, general liability, and workers' compensation losses. The State has determined that the management of these losses can be performed effectively and efficiently through the Risk Management Division. Consequently, all agencies are required to participate in this program. The State's Risk Management Division evaluates the proper mix of purchased commercial insurance and self-insurance annually.

The Commission's Special Fund provides payment of workers' compensation losses which are not covered by the State Compensation Fund, the Department of Administration – Risk Management Division, private insurance carriers, or self-insured employers. The workers' compensation claims paid by the Special Fund encompass claims against uninsured or underinsured employers and insolvent insurance carriers and would include payments for vocational rehabilitation, medical conditions incurred prior to 1973, apportionment claims for pre-existing industrial and non-industrial related physical impairments, and compensation for loss of earnings associated with the disability.

The State records claims liability when the reported loss is probable and reasonably estimated. On an annual basis, independent actuarial firms are engaged to estimate the State's total year-end outstanding claims liability, which takes into account recorded claims and related allocated claims adjustment expenditures, loss development factors, and an estimate for incurred but not reported claims. There were no non-incremental claims adjustment expenses included in the liability for claims and adjustments.

The management and payment of these losses is accomplished through the funding mechanism of the Risk Management Fund (internal service fund) and the Special Fund (enterprise fund). As discussed in the above paragraph, an independent annual

actuarial analysis is performed to evaluate the needed funding. The Risk Management Division will assess each agency an annual portion of the necessary funding for the Risk Management Fund based on their exposures and prior loss experience. Investment earnings (including interest, dividends, and securities lending income) and assessments on gross premium revenues primarily fund the Special Fund. To provide funding for workers' compensation claims, the Special Fund may direct payment to the State Treasurer an amount not to exceed 1.50% of all premiums received by the State Compensation Fund, private carriers, and self-insured plans during the immediately preceding calendar year. Beginning in calendar year 2004, this 1.50% assessment was levied under ARS §23-1065(A) because of a deficit net assets balance.

AMI Risk Consultants, Inc. was retained to evaluate the medical and compensation related liabilities of the Special Fund as of June 30, 2011. The estimated loss reserve of $413.740 million is $1.544 million less than the $415.284 million reserve estimate at June 30, 2010. There were no major shifts in any award categories. A confidence level of 75.00% was used in calculating medical and compensation related liabilities. A confidence level of 75.00% indicates a confidence that the estimated liability will be adequate to cover actual costs 7.5 out of 10 years. The reserves were discounted at an assumed rate of 2.89% for the compensation claims and zero percent for the medical claims. For medical benefits, it was assumed that the inflation in medical costs will equal the investment return earned by the Special Fund on those reserves.

The Special Fund levied the following assessment taxes for calendar year 2011: 1.50% assessment under ARS §23-1065(A), .50% assessment under ARS §23-966(D) based on insolvent carrier losses, and .50% assessment under ARS §23-1065(F), based on the total apportionment liability. The Special Fund has filed pending proof of claim requests with ancillary receivers and liquidators holding deposits and surety bonds of several insolvent companies. Since the actual amount that will ultimately be received cannot be determined, the Special Fund will continue to recognize receipt of insolvent carrier deposits ("settlement income") as revenue at the time received rather than recording a receivable.

Occasionally, the Risk Management Division agrees with claimants to purchase an annuity contract to settle specific claims when it is determined that it is in the best interest of the State to do so. In these instances, the State obtains a release agreement from the claimant and transfers its obligation to make future periodic payments to an assignment company. The State requires a secondary guarantor which is obtained when the assignment company transfers the obligation to make the payments through the use of a qualified assignment (typically a life insurance company with an approved rating). As a result of these requirements, the likelihood that the State will be required to make future payments on these claims is remote.

There have been no significant reductions in the current fiscal year insurance coverage. There have been no settlements that have exceeded insurance premium coverage in the last three fiscal years.

The following table presents the changes in claims liabilities balances (short- and long-term combined) during fiscal years ended June 30, 2010 and June 30, 2011 (expressed in thousands):

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Risk Management Fund:				
2010	$ 359,813	$ 70,637	$ 56,733	$ 373,717
2011	373,717	49,366	60,280	362,803
Industrial Commission Special Fund:				
2010	378,520	63,284	26,520	415,284
2011	415,284	21,864	23,408	413,740

B. LITIGATION

The State has a variety of claims pending against it that arose during the normal course of its activities. Management believes, based on advice of legal counsel, losses, if any, resulting from settlement of these claims will not have a material effect on the financial position of the State. All losses for any unsettled litigation or contingencies involving workers' compensation, medical malpractice, construction and design, highway operations, employment practices, criminal justice, fidelity and surety, environmental property damage, general liability, environmental liability, building and contracts, auto liability, or auto physical damage are determined on an actuarial basis and included in the Accrued Insurance Losses of the internal service funds and the Industrial Commission Special Fund.

C. ACCUMULATED SICK LEAVE

Sick leave includes any approved period of paid absence granted an employee due to illness, injury, or disability. Most State employees accrue sick leave at the rate of eight hours per month without an accumulation limit. State employees are eligible to receive payment for an accumulated sick leave balance of at least 500 hours, with a maximum of 1,500 hours, upon retirement directly from State service. The benefit value is calculated by taking the State employee's hourly rate of pay at the retirement date, multiplied by the number of sick hours at the retirement date times the eligibility percentage. The eligibility percentage varies based upon the number of accumulated sick hours from 25.00% for 500 hours to a maximum of 50.00% for 1,500 hours. The maximum benefit value is $30 thousand. The benefit shall be paid either in a lump sum or in installments over a three-year period. The RASL Fund is accounted for in the financial statements as an internal service fund and accounts for the retiree accumulated sick leave liability of $127.026 million at June 30, 2011.

D. UNCLAIMED PROPERTY

The State of Arizona's Uniform Unclaimed Property Act requires the deposit of certain unclaimed assets into a managed agency fund. A total of approximately $876.330 million (net of refunds issued) has been collected since the inception of the fund. The State is also holding securities valued at $46.662 million and mutual funds valued at $8.060 million. In accordance with ARS §44-313 and ARS §44-314, for fiscal year 2011, $24.500 million was deposited in the Department of Revenue Administrative Fund, $10.500 million was deposited in the Housing Fund, $50.383 million was deposited in the General Fund, and $1.343 million was deposited in other funds as required by State statute. The remittances to the General Fund and the holdings by the State represent contingencies, as claims for refunds can be made by the owners of the property. The GASB requires that a liability be reported to the extent that it is probable that escheat property will be reclaimed and paid to claimants. This liability is also reported as a reduction of revenue. At June 30, 2011, $228.194 million of this liability is reported in the General Fund because it is the fund to which the property ultimately escheats in Arizona.

E. CONSTRUCTION COMMITMENTS

The ADOT had outstanding commitments under construction contracts of $378.887 million at June 30, 2011.

	(in thousands)	
	Expenditures to Date	Remaining Commitments
Construction contracts:		
Rural roadways	$ 1,130,650	$ 182,736
Small urban roadways	244,260	4,822
Urban roadways	99,629	9,089
Large urban roadways	964,163	48,228
General roadways	160,720	12,742
Sub-total	2,599,422	257,617
Design contracts	735,600	51,348
Other commitments	245,644	69,922
Total	$ 3,580,666	$ 378,887

F. ARIZONA STATE LOTTERY

Annuities are purchased for all prizes over $400 thousand for which winners will receive the jackpot in annual installments for The Pick on-line game. These annuities are purchased from qualifying insurance companies which have the highest ratings from among A.M. Best Company, S & P, Moody's, Duff & Phelps, or Weiss. The Lottery may incur future liabilities on these annuities. Aggregate future payments to prize winners on existing annuities totaled $63.974 million at June 30, 2011. Approximately $46.846 million of the total aggregate future payments at June 30, 2011 relate to annuities purchased from five separate insurance companies, of which approximately $12.017 million relates to a single insurance company.

NOTE 14. TOBACCO SETTLEMENT

The State is one of many states participating in the settlement of litigation with the tobacco industry over the reimbursement of healthcare costs. The settlement money is intended to compensate the State for costs it has incurred in providing health and other services to its citizens that were necessitated by the use of tobacco products. The State expects to receive settlement payments through 2025.

The State recorded tobacco settlement revenue of $99.130 million in the fund statements and the government-wide statements in fiscal year 2011. Future settlement payments are subject to several adjustments, but the amounts are not presently determinable. These adjustments include a volume adjustment, which could reflect any decreasing cigarette production under a formula that also takes into account increased operating income from sales. Other factors that might affect the amounts of future payments include ongoing and future litigation against the tobacco industry and the future financial health of the tobacco manufacturers. Because the net realizable value of the future settlement payments is not measurable and there is no obligation for the tobacco companies to make settlement payments until cigarettes are shipped, the State did not record a receivable for the future payments related to cigarette sales after June 30, 2011.

NOTE 15. PUBLIC-PRIVATE PARTNERSHIP

The State of Arizona has entered into a partnership agreement with Accenture. The purpose of this partnership is to fund the Department of Revenue's technology needs. The agreement stipulates that Accenture will be paid 85.00% of the new revenue generated from the system enhancements, even if this amount is insufficient to cover the total contract cost. Accordingly, Accenture had created a system that increases the State's efficiency in collecting tax revenues. As of June 30, 2011, the State has paid Accenture $153.137 million towards the $160.936 million contract cost. Included in the $160.936 million contract cost is capitalized interest charges of $7.000 million and application support charges of $54.610 million. This contract is substantially complete, however, the Department of Revenue could, at its option, require Accenture to complete the remaining task orders in the contract, until the contract expiration date of August 19, 2012. The likelihood that the Department of Revenue would require such completion is remote.

NOTE 16. SUBSEQUENT EVENTS

On September 7, 2011, Moody's notified the ADOT of a rating downgrade on $1.6 billion of the ADOT's outstanding Highway Revenue Bonds. Moody's downgraded the senior lien Highway Revenue Bonds from Aaa to Aa1 and the subordinate lien Highway Revenue Bonds from Aa1 to Aa2.

On October 13, 2011, the ADOT issued $159.460 million in Transportation Excise Tax Revenue Bonds (Maricopa County Regional Area Road Fund) 2011 Series to: (i) pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Maricopa County, Arizona and (ii) pay the costs of issuing the 2011 Series Bonds. The 2011 Series Bonds were issued as senior lien bonds and mature from July 1, 2012 through July 1, 2025. Net proceeds totaled $179.416 million (after receipt of $20.735 million reoffering premium and payment of $779 thousand in underwriting fees and costs of issuance). The bonds were rated Aa1 and AA+ by Moody's and S&P, respectively.

On October 17, 2011, S&P notified the ADOT of a rating downgrade on $330.000 million of the ADOT's outstanding subordinate lien Highway Revenue Bonds from AAA to AA+, with a negative outlook. The ratings on the senior lien bonds were unaffected by this downgrade; however, S&P also placed a negative outlook on the senior lien Highway Revenue Bonds.

On November 8, 2011, the ASU issued $30.915 million in SPEED Revenue Bonds Series 2011 (2011 Bonds) to fund building renewal projects across ASU's campuses and to pay the costs of issuing the 2011 Bonds. The 2011 Bonds are serial bonds with interest rates ranging from 3.00% to 5.00% and maturity dates ranging from August 1, 2016 through August 1, 2031. The 2011 Bonds maturing on or after August 1, 2022 are subject to redemption at the option of the ABOR. The 2011 Bonds are limited obligations that are payable solely from and secured solely by a pledge from the ASU Account of the SPEED Fund which is derived from certain revenues of the Lottery not to exceed 80.00% of annual debt service and other ASU monies equal to at least 20.00%, and as much as 100.00% of annual debt service. To the extent monies of the SPEED Fund are not sufficient to make the debt service payments, the 2011 Bonds are also secured by a pledge of certain gross revenues, but that pledge is junior and subordinate to the pledge of those gross revenues for the ASU's system revenue bonds.

On November 16, 2011, the ADOT issued Tax-exempt Subordinated Series 2011A (2011A Bonds) and Taxable Subordinated Series 2011B (2011B Bonds) for $485.230 million and $70.670 million, respectively. Approximately $107.355 million of the proceeds from the 2011A&B Bonds are intended to be used to finance portions of the ADOT's Five-Year Capital Program. Additionally, approximately $511.870 million of the proceeds from the 2011A&B Bonds will be used to refund certain of the ADOT's outstanding senior and subordinated bonds. The 2011A Bonds include serial bonds with interest rates ranging from 2.00% to 5.00% and maturity dates ranging from July 1, 2012 through July 1, 2020. The 2011A Bonds also include a term bond of $42.745 million due on July 1, 2036. The 2011B Bonds include serial bonds with interest rates ranging from .75% to 3.02% and maturity dates ranging from July 1, 2012 through July 1, 2019. The 2011A Bonds maturing on or after July 1, 2022 are subject to redemption, prior to maturity, at the option of the ADOT. The 2011B Bonds are subject to redemption, prior to maturity, at the option of the ADOT, on any date. Payments of principal and interest on the 2011A&B Bonds are payable and secured solely from a subordinate pledge on certain pledged revenues on deposit in the State Highway Fund, which is included in the Transportation & Aviation Planning, Highway Maintenance & Safety Fund, a major governmental fund.

NOTE 17. DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES

The accounting policies of the State's component units conform to U.S. GAAP applicable to governmental units adopted by the GASB, except for those component units affiliated with the State's Universities. Because the component units affiliated with the Universities are not governmental entities, they follow FASB statements for not-for-profit organizations for financial reporting purposes. Each component unit has a June 30 year-end. Effective June 1, 2011, the Law College Association changed their fiscal year end from May 31 to June 30. The Law College Association elected to report a thirteen-month financial statement for the period ending June 30, 2011.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Measurement Focus and Basis of Accounting

The State's component units and component units affiliated with the Universities are presented using the economic resources measurement focus and the accrual basis of accounting. The State's component units follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The State has chosen the option not to follow FASB Statements and Interpretations issued after November 30, 1989, except for the UAH, which has elected to apply the provisions of all relevant pronouncements of the FASB, including those issued after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

2. Business Combinations

In June 2010, the UAH was created to bring the UMC and the UPH together to align the two organizations strategically and operationally. The UAH accounted for the business combination as a "pooling like" transaction in which the historical basis of the assets, liabilities, and net assets of the separate organizations were combined as of the beginning of the fiscal year (July 1, 2010) in which it occurred. The financial statements of the UAH include the operations and all activities of the UMC and the UPH since July 1, 2010.

3. Net Assets

Component units affiliated with the Universities classify net assets, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the component units affiliated with the Universities and changes therein are classified and reported as follows:

- ¿ Unrestricted net assets include assets and contributions that are not restricted by donors or for which such restrictions have expired.

- ¿ Temporarily restricted net assets include contributions for which donor imposed restrictions have not been met (either by the passage of time or by actions of the Foundations), charitable remainder unitrusts, pooled income funds, gift annuities, and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted. Donor-restricted contributions are classified as temporarily restricted if the restrictions are satisfied in the same reporting period in which the contributions are received; however, the component units affiliated with the ASU, other than the ASU Foundation, classify such contributions as unrestricted.

- ¿ Permanently restricted net assets include contributions, charitable remainder unitrusts, pooled income funds, gift annuities, and pledges receivable which require by donor restriction that the corpus be invested in perpetuity and only the board-approved payout be made available for program operations in accordance with donor restrictions.

4. Cash and Cash Equivalents

Cash and cash equivalents includes monies held in certificates of deposit, overnight money market accounts, and U.S. Government or U.S. Treasury money market funds with original maturities of three months or less. Cash and cash equivalents are stated at cost, which approximates fair value.

5. Investments

The fair values of publicly traded securities are based on quoted market prices and exchange rates, if applicable. Absolute return limited partnership interests are recorded at fair value based on quoted market prices (where the underlying investment is a mutual fund) or as determined by the fund manager based on the net asset value. Purchases and sales of investment securities are reflected on a trade-date basis. Realized gains and losses are calculated using the average cost for securities sold. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the increases or decreases in net assets in the Statement of Activities.

In addition, investments include Universities' endowment funds totaling $278.388 million managed by the Foundations. These funds are primarily held in pooled endowment funds managed for the Universities under service contracts with the Foundations and invested in the Foundations' endowment pools.

6. Income Taxes

The Foundations qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and, accordingly, there is no provision for income taxes in the accompanying financial statements, except for the Collegiate Golf Foundation and the ACFFC. In addition, they qualify for the charitable contribution deduction and have been classified as organizations that are not private foundations. Any income determined to be unrelated business taxable income would be taxable. The ACFFC and NACFFC are exempt from taxes under the provisions of Section 501(c)(4) of the Internal Revenue Code. The ACFFC does not qualify for the charitable contribution deduction.

7. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction.

8. Net Assets Released from Restriction

Expenses are not incurred in the temporarily restricted or permanently restricted net asset categories. As the restrictions on these net assets are met, the net assets are reclassified to unrestricted net assets. The total net assets reclassified are reported as net assets released from restriction in the accompanying Statement of Activities.

9. Use of Estimates

The preparation of the Universities-affiliated component units' financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent

assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

B. DEPOSITS AND INVESTMENTS

1. Component Units

a. Deposits and Investment Policies

The investments of the WIFA are stated at fair value, except guaranteed investment contracts, which are stated at cost since they are non-participating contracts. The investments of the UAH are stated at fair value.

b. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from the outside party. The WIFA and the UAH do not have a formal policy regarding custodial credit risk for deposits.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the value of the investment or collateral securities that are in the possession of an outside party may not be recovered. The WIFA and the UAH do not have a formal policy regarding custodial credit risk for investments. The investments of the UAH are uninsured and held by brokers in the UAH's name.

c. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The WIFA does not have a formal policy regarding interest rate risk. The following table presents the interest rate risk for the WIFA utilizing the segmented time distribution method as of June 30, 2011 (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
Certificates of deposit (negotiable)	$ 516	$ 516	$ -	$ -	$ -
Corporate asset backed securities	5,776	-	5,776	-	-
Corporate notes	23,015	23,015	-	-	-
Guaranteed investment contracts	80,104	-	-	-	80,104
Money market mutual funds	8,971	8,971	-	-	-
Commercial paper	47,279	47,279	-	-	-
Repurchase agreements	15,823	15,823	-	-	-
U.S. agency mortgage backed securities	6,951	-	-	-	6,951
U.S. agency mortgage backed securities – full faith	456	-	-	-	456
U.S. agency securities	72,351	-	37,103	-	35,248
U.S. agency securities – full faith	323	-	323	-	-
U.S. Treasury securities	4,006	4,006	-	-	-
Total	$ 265,571	$ 99,610	$ 43,202	$ -	$ 122,759

The UAH's investment policy limits the portfolio duration related to debt securities to the Lehman Brothers Intermediate Government/Credit Index. This is an index based on all publicly issued intermediate government and corporate debt securities with average maturities of four to five years. The following table presents the estimated maturities of the UAH's investments, utilizing the segmented time distribution method as of June 30, 2011 (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
Collateralized mortgage obligations (CMOs)	$ 7,247	$ -	$ 49	$ 449	$ 6,749
Commercial paper	16,041	16,041	-	-	-
Corporate fixed income	42,651	18,778	18,832	2,339	2,702
Guaranteed investment contracts	8,615	4,372	-	-	4,243
Money market mutual funds	58,166	58,166	-	-	-
Other debt securities	4,225	3,301	924	-	-
U.S. agency mortgage backed securities	10,926	-	-	1,946	8,980
U.S. Treasury securities	9,488	9,488	-	-	-
Total	$ 157,359	$ 110,146	$ 19,805	$ 4,734	$ 22,674

d. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. The WIFA does not have a formal policy regarding credit risk. The following table presents the WIFA's investments which were rated by S & P and/or an equivalent national rating organization. The ratings are presented using S & P's rating scale as of June 30, 2011 (expressed in thousands):

Investment Type	**Fair Value**	**AAA**	**AA**	**A**	**A1**	**Not Rated**
Certificates of deposit (negotiable)	$ 516	$ -	$ -	$ -	$ 516	$ -
Commercial paper	47,279	-	-	-	47,279	-
Corporate asset backed securities	5,776	5,776	-	-	-	-
Corporate notes	17,529	796	5,668	11,065	-	-
Guaranteed investment contracts	80,104	80,104	-	-	-	-
Money market mutual funds	8,971	2,575	-	-	-	6,396
U.S. agency mortgage backed securities	6,951	6,951	-	-	-	-
U.S. agency securities	72,351	70,028	-	2,323	-	-
Total	$ 239,477	$ 166,230	$ 5,668	$ 13,388	$ 47,795	$ 6,396

The UAH's investment in fixed income securities is limited to investment grade securities with a credit rating of BBB, or equivalent, or better. The following table presents the UAH's investments which were rated by S & P and/or an equivalent national rating organization. The ratings are presented using S & P's rating scale as of June 30, 2011 (expressed in thousands):

Investment Type	**Fair Value**	**AAA**	**AA**	**A**	**Not Rated**
Collateralized mortgage obligations (CMO's)	$ 7,247	$ 4,457	$ 2,176	$ 614	$ -
Commercial paper	16,041	-	-	-	16,041
Corporate fixed income	42,651	1,586	10,504	30,561	-
Guaranteed investment contracts	8,615	-	-	4,243	4,372
Money market mutual funds	58,166	-	-	-	58,166
Mortgage backed securities	10,926	10,926	-	-	-
Other	4,225	4,225	-	-	-
Total	$ 147,871	$ 21,194	$ 12,680	$ 35,418	$ 78,579

e. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The WIFA's investment policy contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer, as of June 30, 2011, that were more than 5.00% of the WIFA's total investments, are as follows: an investment in

Bayerische Landesbank (fair value of $40.586 million) was approximately 15.28% of the WIFA's total investments, an investment in Royal Bank of Canada (fair value of $31.374 million) was approximately 11.81% of the WIFA's total investments, and an investment in Federal Home Loan (fair value of $25.419 million) was approximately 9.57% of the WIFA's total investments.

2. Universities-Affiliated Component Units

Investments of the Universities-affiliated component units include the following amounts at June 30, 2011. Investments are stated at fair value (expressed in thousands):

	ASU Foundation	U of A Foundation	NAU Foundation
Money market funds and cash equivalents	$ 40,857	$ -	$ 1,755
Domestic/international equity securities and mutual funds	412,291	199,499	60,455
Fixed income	120,415	115,319	28,436
Absolute return limited partnerships and funds	-	183,337	-
Other investments	60,873	86,429	-
Total Investments	$ 634,436	$ 584,584	$ 90,646

C. PROGRAM LOANS

The WIFA has made loans to local governments and others in Arizona to finance various projects pursuant to the requirements of the Clean Water and Safe Drinking Water Acts. The loans are generally payable in semi-annual installments due January 1 and July 1 of each year, including interest. However, several loans are payable monthly or quarterly. Changes in the program loans during fiscal year 2011 are as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Clean Water Fund	$ 800,093	$ 107,594	$ (86,974)	$ 820,713
Drinking Water Fund	358,044	35,825	(23,713)	370,156
Total	$ 1,158,137	$ 143,419	$ (110,687)	$ 1,190,869

Repayment of these loans will be made from pledged property taxes, net revenues from the systems, transaction privilege taxes, or from special assessments. Most loans have a .30% to 4.00% annual administrative fee.

Some program loans require a monthly or quarterly payment into a debt service reserve to assure payments of the loans. The debt service reserve is a liability of the WIFA to the borrowers and interest on the reserve accrues to the borrowers.

D. PLEDGES RECEIVABLE

Pledges receivable (unconditional promises to give) are recorded at their net realizable value, which is net of a discount and any applicable loss allowance. The ASU Foundation's pledges are discounted using the applicable risk free rate at the date the pledge was recognized. The discount rates range from 2.80% to 10.90%. An allowance for uncollectible pledges is estimated based on the ASU Foundation's collection history and is recorded as a reduction to contribution support and revenue and an increase in the allowance for uncollectible pledges. The Sun Angel Foundation's pledges receivable are recorded using a 5.14% discount rate for the year ended June 30, 2011.

Pledges receivable, as of June 30, 2011, include the following (expressed in thousands):

	ASU Foundation	Sun Angel Foundation
Gross pledges receivable	$ 130,948	$ 8,005
Present value discount	(12,270)	(471)
Allowance for uncollectible pledges	(42,038)	(732)
Net Pledges Receivable	$ 76,640	$ 6,802

E. DIRECT FINANCING LEASE AGREEMENTS

1. ASU Foundation

The ASU Foundation leases a portion of the Fulton Center building (the ASU Foundation's headquarters) to the ASU under a direct financing lease. At the end of lease, the ASU Foundation and affiliates will gift their portion of the building to the ASU and the ASU will receive title to the building. The ASU Foundation's net investment in this direct financing lease at June 30, 2011 is $26.325 million.

2. ACFFC

Pursuant to a Sublease Agreement, dated April 7, 2004 and amended on April 1, 2009 (the Sublease), Nanotechnology Research, LLC, a wholly-owned subsidiary of ACFFC, leases its interest in the Research Park to the ASU. The ASU will make lease payments at times in amounts sufficient to pay all principal and interest on the Series 2009A and 2009B Bonds. The Sublease has successive annual renewals without action from either party through the period ending March 31, 2034. The Sublease is subject to early termination by Nanotechnology or the ASU upon the payment in full of the Series 2009A and 2009B Bonds. Upon termination or expiration of the Sublease, the ACFFC's interest in the premises, including all buildings and improvements on the leased premises, transfers to the ASU without further consideration. ACFFC's net investment in the Nanotechnology facility direct financing lease is $33.500 million at June 30, 2011.

Pursuant to the ASU Lease Agreement, dated July 1, 2005, McAllister Academic Village, LLC, a wholly-owned subsidiary of ACFFC, leases its interest in the non-residential portion of Hassayampa Academic Village (Hassayampa, HAV) to the ASU which consists of the academic, tutorial, retail, and food service facilities. The lease was amended effective September 1, 2008 to change the annual renewal period through June 30, 2039 to correspond with the maturity of the Hassayampa 2008 Bonds. Any right, title, or interest of Hassayampa in and to the academic portions of the Hassayampa project will pass to the ASU without further cost upon payment in full of the Hassayampa 2008 Bonds. Lease payments are based on the fixed interest rates determined by the Hassayampa 2008 Bonds maturity schedule. ACFFC's net investment in the McAllister (HAV) direct financing lease is $12.300 million at June 30, 2011.

3. NACFFC

On May 19, 2005, the NAU entered into a lease purchase agreement with NACFFC. During the 28-year lease term, the NAU will make lease payments on two apartment style student housing complexes, Pine Ridge Village and McKay Village. The NACFFC recorded a sales-type lease receivable of $13.225 million in fiscal year 2005 for the Pine Ridge complex. The agreement also provided for the NAU's lease purchase of the McKay Village complex for $22.685 million in fiscal year 2007. Upon expiration of the lease, the real property will become the sole property of the NAU without further cost.

On September 1, 2006, the NAU entered into a lease purchase agreement with NACFFC. During the 30-year lease term, the agreement provides for the NAU lease purchase of the convention center/parking garage complex for $12.400 million in fiscal year 2008. Upon expiration of the lease, the real property will become the sole property of the NAU without further cost.

F. CAPITAL ASSETS

Capital asset activity for the UAH for the fiscal year ended June 30, 2011 was as follows (expressed in thousands):

	UA Healthcare				
	Beginning Balance	Additions	Retirements	Adjustments & Reclassifications	Ending Balance
Non-depreciable capital assets:					
Land	$ 13,982	$ 75	$ -	$ 614	$ 14,671
Construction in progress	20,050	13,348	-	(30,000)	3,398
Total Non-depreciable Capital Assets	34,032	13,423	-	(29,386)	18,069
Depreciable capital assets:					
Buildings	400,492	7,511	(151)	24,493	432,345
Improvements other than buildings	1,277	-	-	-	1,277
Equipment	244,386	24,415	(2,795)	4,893	270,899
Total Depreciable Capital Assets	646,155	31,926	(2,946)	29,386	704,521
Less accumulated depreciation for:					
Buildings	(141,789)	(13,658)	145	15	(155,287)
Improvements other than buildings	(455)	(84)	-	-	(539)
Equipment	(170,896)	(23,503)	2,772	(15)	(191,642)
Total Accumulated Depreciation	(313,140)	(37,245)	2,917	-	(347,468)
Total Depreciable Capital Assets, Net	333,015	(5,319)	(29)	29,386	357,053
Total UAH Capital Assets, Net	$ 367,047	$ 8,104	$ (29)	$ -	$ 375,122

Capital assets for the Universities-affiliated component units for the fiscal year ended June 30, 2011 include the following (expressed in thousands):

	ASU Foundation	ACFFC	Downtown Phoenix Student Housing
Buildings and improvements	$ 17,397	$ 203,011	$ 114,042
Furniture, fixtures, and equipment	7,649	81,630	10,295
Construction in progress	-	75	-
Other property and equipment	-	732	-
Total cost or donated value	25,046	285,448	124,337
Less: Accumulated Depreciation	(7,726)	(58,972)	(11,926)
Total Property and Equipment, Net	$ 17,320	$ 226,476	$ 112,411

G. LONG-TERM OBLIGATIONS

1. Component Units

a. Water Infrastructure Finance Authority

The WIFA's bonds are callable and interest is payable semiannually. The bonds are special obligations of the WIFA payable solely from and secured by the WIFA's assets. The bonds are not obligations, general, specific, or otherwise, of the State or any other political subdivision, thereof, other than the WIFA.

During fiscal year 2011, the WIFA issued Water Quality Revenue Bonds, Series 2010A (2010A Bonds) for $138.665 million. The 2010A Bonds include $138.665 million of serial bonds due in annual installments through final maturity of fiscal year 2031, with interest rates ranging from 2.00% to 5.00%. The 2010A Bonds were sold to provide financial assistance to entities throughout the State for various wastewater treatment facilities pursuant to the Federal Water Pollution Control Act of 1972, as amended by the Water Quality Act of 1987.

In July 2010, the WIFA issued $42.325 million of Water Quality Revenue Refunding Bonds Series 2010A to do an advance refunding of a portion of the 2004A Water Quality Revenue Refunding Bonds. Under the terms of the refunding issue, sufficient assets to pay all principal and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government Securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The amount outstanding on those defeased bonds, as of June 30, 2011, is $43.125 million. The advance refunding was done in order to reduce debt payments. The refunding issue decreased WIFA's total debt service payments by approximately $1.800 million. The transaction resulted in an economic loss of approximately $1.600 million.

In current and prior fiscal years, the WIFA refinanced various bond issues through advance-refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal, redemption premium, if any, and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government Securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for the defeased bonds are not reflected in the accompanying financial statements. The amount outstanding on the refunded bonds for the WIFA at June 30, 2011 totaled $106.120 million.

The $9.903 million deferred amount on retirement of bonds is being amortized over the lives of the defeased bonds on a straight-line basis. The amortization for the year ended June 30, 2011 is $3.081 million. Amortization has been offset against interest expense.

Bond premiums are being amortized over the life of the bonds. The amortization for the year ended June 30, 2011 is $9.287 million and is included in interest expense.

b. UA Healthcare

The UMC is subject to certain financial covenants under the Master Trust Indenture (the Indenture). In addition, the Indenture places certain restrictions on the incurrence of additional indebtedness and the sale or acquisition of property. The UMC Hospital is the only member of the obligated group responsible for the public debt offerings by the UMC.

The UPH is also subject to certain financial and nonfinancial covenants under its bond agreements.

The UAH has established and maintains separate funds as a bond reserve fund on outstanding bonds payable. These funds, which totaled $21.372 million at June 30, 2011, are held by the trustee and are reflected as restricted investments held by trustee in the accompanying financial statements. These principally consist of money market mutual funds, commercial paper, U.S. Treasury securities, and a guaranteed investment contract.

The bonds or other obligations of the UAH do not constitute general obligations of the ABOR, the U of A, the State, or any political subdivision thereof.

Summary of Revenue Bonds

The following schedule summarizes revenue bonds outstanding at June 30, 2011 (expressed in thousands):

Revenue Bonds Outstanding	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2011
Component Units:				
Water Infrastructure Finance Authority	2001-2011	2012-2031	2.00-5.38%	$ 958,780
UA Healthcare	1993-2009	2012-2040	3.80-6.48%	292,979
Arizona Power Authority	2001-2004	2012-2018	5.00-5.25%	37,530

Principal and interest debt service payments on revenue bonds outstanding at June 30, 2011 are as follows (expressed in thousands):

	Annual Debt Service		
	Water Infrastructure Finance Authority		
Fiscal Year	Principal	Interest	Total
2012	$ 47,625	$ 45,685	$ 93,310
2013	44,470	44,813	89,283
2014	45,150	42,828	87,978
2015	46,495	40,755	87,250
2016	50,015	38,535	88,550
2017-2021	271,270	152,174	423,444
2022-2026	281,915	76,124	358,039
2027-2031	171,840	17,287	189,127
Total	$ 958,780	$ 458,201	$ 1,416,981

	Annual Debt Service		
	UA Healthcare		
Fiscal Year	Principal	Interest	Total
2012	$ 7,077	$ 15,037	$ 22,114
2013	7,960	14,671	22,631
2014	6,794	14,304	21,098
2015	6,694	13,982	20,676
2016	7,043	13,644	20,687
2017-2021	41,368	62,455	103,823
2022-2026	53,293	50,562	103,855
2027-2031	65,890	35,370	101,260
2032-2036	83,645	15,854	99,499
2037-2040	13,215	1,328	14,543
Total	$ 292,979	$ 237,207	$ 530,186

	Annual Debt Service		
	Arizona Power Authority		
Fiscal Year	Principal	Interest	Total
2012	$ 4,585	$ 1,844	$ 6,429
2013	4,810	1,604	6,414
2014	5,065	1,344	6,409
2015	5,330	1,071	6,401
2016	5,615	784	6,399
2017-2018	12,125	645	12,770
Total	$ 37,530	$ 7,292	$ 44,822

c. Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations for the component units (expressed in thousands):

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Due Within One Year	Due Thereafter
Water Infrastructure Finance Authority:						
Long-term Debt:						
Revenue bonds	$ 857,910	$ 180,990	$ (80,120)	$ 958,780	$ 47,625	$ 911,155
Revenue bond premium	58,008	19,278	(9,287)	67,999	-	67,999
Deferred amounts, net	(6,316)	452	(4,039)	(9,903)	-	(9,903)
Total Long-term Debt	909,602	200,720	(93,446)	1,016,876	47,625	969,251
Other Long-term Liabilities:						
Compensated absences	85	151	(168)	68	68	-
Total Other Long-term Liabilities	85	151	(168)	68	68	-
Total Long-term Obligations	$ 909,687	$ 200,871	$ (93,614)	$ 1,016,944	$ 47,693	$ 969,251
UA Healthcare:						
Long-term Debt:						
Revenue bonds	$ 299,827	$ -	$ (6,848)	$ 292,979	$ 7,077	$ 285,902
Revenue bond discount	(2,833)	-	89	(2,744)	-	(2,744)
Notes payable	3,384	-	(1,449)	1,935	1,217	718
Capital leases	7,597	-	(3,332)	4,265	2,515	1,750
Line of credit	10,000	-	(50)	9,950	9,950	-
Total Long-term Debt	317,975	-	(11,590)	306,385	20,759	285,626
Other Long-term Liabilities:						
Compensated absences	15,161	11,544	(10,636)	16,069	9,944	6,125
Other	9,087	2,357	(10,846)	598	-	598
Total Other Long-term Liabilities	24,248	13,901	(21,482)	16,667	9,944	6,723
Total Long-term Obligations	$ 342,223	$ 13,901	$ (33,072)	$ 323,052	$ 30,703	$ 292,349
Arizona Power Authority:						
Long-term Debt:						
Revenue bonds	$ 41,750	$ -	$ (4,220)	$ 37,530	$ 4,585	$ 32,945
Revenue bond premium and discount	1,164	-	(265)	899	-	899
Deferred amounts, net	(794)	-	181	(613)	-	(613)
Total Long-term Debt	42,120	-	(4,304)	37,816	4,585	33,231
Total Long-term Obligations	$ 42,120	$ -	$ (4,304)	$ 37,816	$ 4,585	$ 33,231

2. Universities-Affiliated Component Units

A summary of bonds payable as of June 30, 2011 include the following (expressed in thousands):

	Final Maturity	Amount
ASU Foundation:		
Series 2004A Variable Rate Revenue Bonds	2034	$ 22,420
Series 2004B Variable Rate Revenue Bonds	2022	9,315
Series 2003 Lease Revenue Bonds	2034	45,180
Capital Lease	2011	763
ACFFC:		
Series 2009 Revenue Bonds	2024	41,240
Series 2009A Lease Revenue Refunding Bonds	2034	22,955
Series 2009B Lease Revenue Refunding Bonds	2022	10,755
Series 2008 Revenue Bonds	2028	15,770
Series 2008 Revenue Refunding Bonds	2039	144,655
Series 2008 Variable Rate Demand Revenue Refunding Bonds	2030	49,410
Series 2005 Tax-Exempt Refunding Bonds	2035	15,955
Series 2003 Revenue Bonds	2035	12,985
Series 2002 Revenue Bonds	2018	20,760
Series 2000 Revenue Bonds	2032	9,675
Unamortized Bond Discount		(3,941)
Downtown Phoenix Student Housing:		
Series 2007A&C Revenue Bonds	2042	119,040
Series 2007B Revenue Bonds	2012	785
Series 2007D Tax-Exempt Revenue Bonds	2042	22,700
Unamortized Bond Discount		(1,182)
NACFFC:		
Series 2008 Refunding Bonds	2033	35,245
North Campus Lease Revenue Serial and Term Bonds	2036	11,680
Unamortized Bond Discount		(31)

Scheduled future maturities of Universities-affiliated component units' bonds payable are as follows (expressed in thousands):

Fiscal Year	ASU Foundation	ACFFC	Downtown Phoenix Student Housing	NACFFC
2012	$ 1,988	$ 8,455	$ 600	$ 915
2013	1,755	8,995	655	985
2014	1,835	9,580	430	1,060
2015	1,940	10,225	610	1,135
2016	2,035	10,920	950	1,220
Thereafter	68,125	292,044	138,098	41,610
Total	$ 77,678	$ 340,219	$ 141,343	$ 46,925

H. CONDUIT DEBT

The purpose of the GADA is to provide cost-effective capital for local communities, certain special districts, and tribal governments for public infrastructure projects. The GADA's bond structure allows it to lower borrowing costs for Arizona's communities by issuing and selling bonds tax-exempt and by sharing financing costs among several borrowers. Principal and interest are payable semi-annually. Loans are secured by the Pledged Collateral Reserve Fund, a requirement that is calculated and deposited by the GADA from the GADA Fund, which is held by the State Treasurer. Some borrowers also have separate,

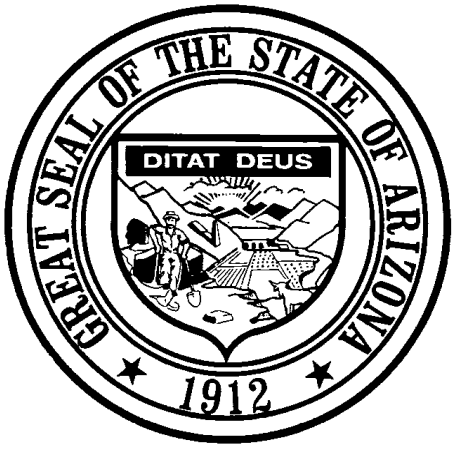
additional reserve funds, which are held by the Trustee. An intercept mechanism of state-shared revenues for political subdivisions enhances the security of the GADA bonds.

In previous years, the State appropriated a total of $20.000 million to the GADA for the express purpose of securing bonds issued by the GADA. Although issued in the name of the GADA, loans funded through the GADA bonds are solely the obligation of the underlying borrowers and are documented by loan repayment agreements. Pursuant to ARS §41-2259, the GADA's bonds do not constitute nor create a general, special, or other obligation or other indebtedness of the State or any governmental unit within the meaning of any constitutional or statutory debt limitation. The bonds do not constitute a legal debt of the State and are not enforceable against the State. The only exposure to the State is related to the restricted net assets of $10.465 million in the Pledged Collateral Reserve Fund. At June 30, 2011, the total outstanding face value of all bonds issued by the GADA was $472.465 million.

I. SUBSEQUENT EVENTS

On August 9, 2011, the UAH received proceeds of approximately $74.400 million from the issuance of the University Medical Center Corporation Hospital Revenue Bonds Series 2011, with an average interest rate of approximately 4.95%. Approximately $38.000 million of the proceeds is being used to pay or reimburse the UMC for costs of the acquisition, construction, expansion, improvement, and equipping of the UMC health care facilities. Approximately $34.500 million of the proceeds was placed in an escrow account to refund all the UMC's outstanding Hospital Revenue Refunding Bonds, Series 1993, with an average interest rate of 5.00%. The redemption occurred in September 2011. The refunding will result in a reduction of aggregate debt service payments of approximately $274 thousand over ten years following the refunding and will produce an economic gain (difference between the present values of the old and new debt service payments) of approximately $257 thousand. A loss on refunding of approximately $220 thousand, primarily related to unamortized financing costs on the Series 1993 Bonds, will be incurred. The loss is deferred and will be amortized over the remaining term of the Series 1993 Bonds. The remainder of the proceeds is being used to fund a bond reserve fund escrow account and for costs related to the issuance of the bonds.

On September 2, 2011, the UAH changed its name to The University of Arizona Health Network.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REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMINISTRATION, ARIZONA DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	$ -	$ 27,647	$ 27,647
ADMINISTRATIVE ADJUSTMENTS	-	469,365	469,365
ADMINISTRATIVE ADJUSTMENTS	-	224,120	224,120
BUILDING RENEWAL FY07-08	7,076	7,076	-
BUILDING RENEWAL FY09-10	721,445	721,445	271,720
BUILDING RENEWAL FY10-11	4,000,000	3,973,000	2,411,222
BUILDING RENEWAL FY10-11	1,000,000	1,000,000	372,031
CAPITOL MALL FIRE SYSTEM REPLACE FY08-09	446,889	446,889	308,720
COP DEBT SERVICE 2009 3RD SS CH 6 SEC 32	41,726,600	41,726,600	41,726,600
COP DEBT SERVICE 2009 6TH SS CH 4 SEC 2A	13,100,000	10,340,300	10,340,300
COUNTY ATTORNEYS IMMIGRATION ENFORCEMENT FY09-10	501,800	501,800	501,800
COUNTY ATTORNEYS IMMIGRATION ENFORCEMENT FY10-11	1,213,200	1,213,200	1,213,200
DJC HVAC AND ELECTRICAL RENOVATIONS	187,877	187,877	-
ENSCO	2,867,300	2,862,800	2,862,800
HB1464 PERSONNEL REFORM FY98-99	273,045	273,045	-
HRIS CERTIFICATE OF PARTICIPATION	4,749,700	4,749,700	4,749,700
OPERATING LUMP SUM APPROPRIATION	10,061,900	10,095,900	9,252,431
OPERATING LUMP SUM APPROPRIATION	9,330,700	9,448,400	9,364,849
OPERATING LUMP SUM APPROPRIATION	1,146,000	1,156,300	938,199
OPERATING LUMP SUM APPROPRIATION	453,400	458,700	96,445
OPERATING LUMP SUM APPROPRIATION	12,272,300	12,560,600	12,298,020
OPERATING LUMP SUM APPROPRIATION - ST BD	226,800	227,900	213,579
PLTO 1 BACKFILL SPACE RENOVATIONS	348,161	348,161	-
PRISON CELL LOCKS/DOOR REPLACEMENT GF	88,022	88,022	-
RELOCATION FY00-01	60,000	60,000	-
RELOCATION FY01-02	59,026	59,026	-
RELOCATION FY02-03	58,149	58,149	-
RELOCATION FY09-10	6,413	6,413	6,413
RELOCATION FY99-00	46,526	46,526	-
STATE SURPLUS PROPERTY SALES PROCEEDS	1,260,000	1,260,000	1,152,929
SW TELECOMMUNICATIONS MGMT CONTRACT LEASE	425,900	425,900	381,419
UTILITIES	625,700	625,700	625,700
UTILITIES	7,349,900	7,349,900	6,700,496
ADMINISTRATIVE HEARINGS, OFFICE OF			
OPERATING LUMP SUM APPROPRIATION	14,500	14,500	14,500
OPERATING LUMP SUM APPROPRIATION	934,300	905,100	905,100
AGRICULTURE, ARIZONA DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	6,114	6,114
AGRICULTURAL EMPLOYMENT RELATIONS BOARD	23,300	23,300	23,300
AGRICULTURE CONSULTING AND TRAINING PARI-MUTUEL	128,500	128,500	128,500
ANIMAL DAMAGE CONTROL	65,000	65,000	65,000
OPERATING LUMP SUM APPROPRIATION	8,344,900	8,172,300	8,151,655
RED IMPORTED FIRE ANT	23,200	23,200	23,200
AHCCCS - ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM			
ADMINISTRATIVE ADJUSTMENTS	-	63,987,695	63,987,695
ADMINISTRATIVE ADJUSTMENTS	-	15,411	15,411
ADMINISTRATIVE ADJUSTMENTS	-	88,932	88,932
ADMINISTRATIVE ADJUSTMENTS	-	15,490,228	15,490,228
ADMINISTRATIVE ADJUSTMENTS	-	757,921	757,921
BOARD OF NURSING - LTCF NURSING	104,800	104,800	104,800
BOARD OF NURSING - LTCF NURSING	104,900	104,900	104,800
BREAST AND CERVICAL CANCER	420,200	306,700	214,139

The Notes to Required Supplementary Information are an integral part of this schedule. (continued)

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
BREAST AND CERVICAL CANCER	1,382,500	1,382,500	746,910
CAPITATION	478,058,400	500,882,469	500,878,940
CAPITATION	8,195,500	8,195,500	8,195,500
CAPITATION	144,009,500	251,210,700	179,780,825
CAPITATION	1,446,176,800	1,625,317,099	1,498,287,134
CHIP - SERVICES	-	11,575,300	11,449,167
CHIP - SERVICES	-	45,867,600	43,645,882
CRITICAL ACCESS HOSPITALS	494,500	473,280	473,280
CRITICAL ACCESS HOSPITALS	86,100	171,700	107,270
CRITICAL ACCESS HOSPITALS	1,119,400	1,119,450	1,119,450
DES ELIGIBILITY	26,467,600	23,330,500	20,449,115
DES ELIGIBILITY	29,438,600	24,937,200	16,214,815
DES TITLE XIX PASS THROUGH	147,700	300,300	132,900
DES TITLE XIX PASS THROUGH	204,800	350,000	162,159
DISPROPORTIONATE SHARE PAYMENTS	170,800	3,170,800	-
DISPROPORTIONATE SHARE PAYMENTS	4,531,500	10,316,341	4,202,300
DOA DATA CENTER CHARGES	1,724,700	2,792,700	2,505,503
DOA DATA CENTER CHARGES	3,992,800	6,892,800	6,145,959
FEE FOR SERVICE	89,459,900	67,509,900	67,395,678
FEE FOR SERVICE	17,060,300	34,101,700	25,047,251
FEE FOR SERVICE	444,173,400	452,732,000	447,882,453
HEALTH PLAN PAYMENT DEFERRAL	-	83,709,067	83,709,067
HEALTH PLAN PAYMENT DEFERRAL	-	2,602,700	2,602,700
HEALTH PLAN PAYMENT DEFERRAL	-	223,709,900	223,709,900
MEDICAL CLAWBACK PAYMENTS - ACUTE CARE	23,083,700	22,183,700	22,126,167
MEDICAL CLAWBACK PAYMENTS - LTC	9,113,300	8,735,290	8,735,290
MEDICAL CLAWBACK PAYMENTS - LTC	7,512,400	7,175,985	7,175,985
MEDICARE PREMIUMS	31,207,700	28,464,200	28,448,599
MEDICARE PREMIUMS	5,219,200	10,847,600	8,842,435
MEDICARE PREMIUMS	86,109,000	89,193,900	88,860,890
MENTAL HEALTH - ADULTS	45,368	45,368	-
NEW AND EXPANDED GRADUATE MED ED PRG FY06-07	958,535	958,535	-
NEW AND EXPANDED GRADUATE MED ED PRG FY06-07	4,494,824	4,494,824	-
OPERATING LUMP SUM APPROPRIATION	25,965,900	24,608,800	23,489,690
OPERATING LUMP SUM APPROPRIATION	42,087,000	38,171,000	29,280,890
PROGRAM LUMP SUM APPROPRIATION	150,194,500	131,382,210	130,462,210
PROGRAM LUMP SUM APPROPRIATION	1,804,500	1,804,500	1,804,500
PROGRAM LUMP SUM APPROPRIATION	64,210,000	68,524,900	44,686,527
PROGRAM LUMP SUM APPROPRIATION	1,065,224,300	1,028,886,315	995,865,444
PROP 204 CAPITATION	232,072,800	296,676,233	295,490,788
PROP 204 CAPITATION	135,246,500	163,538,300	140,633,925
PROP 204 CAPITATION	40,367,900	40,367,900	40,367,900
PROP 204 CAPITATION	990,348,100	1,305,220,700	1,183,561,195
PROP 204 CAPITATION	94,564,900	108,211,300	99,161,581
PROP 204 AHCCCS ADMINISTRATION	1,026,700	3,740,000	3,600,528
PROP 204 AHCCCS ADMINISTRATION	3,604,000	4,874,700	4,429,991
PROP 204 AHCCCS ADMINISTRATION	429,400	-	-
PROP 204 DES ELIGIBILITY	8,269,700	19,747,800	17,250,697
PROP 204 DES ELIGIBILITY	11,080,400	19,754,300	15,165,597
PROP 204 DES ELIGIBILITY	3,217,000	-	-
PROP 204 DES ELIGIBILITY	3,117,300	3,117,300	2,337,975
PROP 204 FEE-FOR-SERVICE	18,503,700	36,172,203	35,692,167
PROP 204 FEE-FOR-SERVICE	8,316,000	17,271,700	13,736,523
PROP 204 FEE-FOR-SERVICE	172,158,100	255,720,100	252,743,665

The Notes to Required Supplementary Information are an integral part of this schedule. (continued)

STATE OF ARIZONA
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
PROP 204 MEDICARE	4,981,800	10,930,200	10,924,964
PROP 204 MEDICARE	1,966,200	4,070,900	3,406,175
PROP 204 MEDICARE	12,538,100	28,622,800	27,605,208
PROP 204 REINSURANCE	15,088,300	12,068,997	12,068,997
PROP 204 REINSURANCE	4,881,800	9,763,600	8,004,739
PROP 204 REINSURANCE	39,038,500	58,153,500	57,776,651
REINSURANCE	47,574,400	20,652,249	20,636,190
REINSURANCE	8,126,000	16,252,000	13,238,843
REINSURANCE	107,729,300	105,440,200	96,171,701
RURAL HOSPITAL REIMBURSEMENT	3,041,700	3,499,102	3,499,102
RURAL HOSPITAL REIMBURSEMENT	-	1,225,500	666,210
RURAL HOSPITAL REIMBURSEMENT	9,116,400	8,006,110	8,006,110
TICKET TO WORK	2,081,100	1,956,800	1,951,144
TICKET TO WORK	338,200	686,000	665,780
TICKET TO WORK	4,729,900	5,552,400	5,351,667
ARIZONA STATE UNIVERSITY			
BIOMEDICAL INFORMATICS	3,705,607	3,705,607	3,705,607
DOWNTOWN PHOENIX CAMPUS	29,249,300	29,249,300	29,249,300
OPERATING LUMP SUM APPROPRIATION-MAIN	276,654,466	276,654,466	276,654,466
OPERATING LUMP SUM APPROPRIATION-EAST	23,968,871	23,968,871	23,968,871
OPERATING LUMP SUM APPROPRIATION-WEST	43,934,414	43,934,414	43,934,414
RESEARCH INFRASTRUCTURE LEASE-PURCH PYMT	-	16,742,935	16,742,935
RESEARCH INFRASTRUCTURE LPP-POLYTECHNIC	-	1,132,665	1,132,665
ARTS, ARIZONA COMMISSION ON THE			
COMMUNITY SERVICE PROJECTS	72,600	-	-
OPERATING LUMP SUM APPROPRIATION	607,500	663,400	652,528
ATTORNEY GENERAL - DEPARTMENT OF LAW			
ADMINISTRATIVE ADJUSTMENTS	-	127,501	127,501
ADMINISTRATIVE ADJUSTMENTS	-	19,605	19,605
LEGAL ARIZONA WORKERS ACT FY07-08	100,000	100,000	-
MILITARY INSTALLATION/PLANNING FY10-11	-	84,900	84,900
OPERATING LUMP SUM APPROPRIATION	13,440,400	13,519,900	12,383,047
OPERATING LUMP SUM APPROPRIATION	17,708,400	17,211,900	16,977,353
OPERATING LUMP SUM APPROPRIATION	5,651,600	5,694,800	5,694,621
STATE GRAND JURY	179,000	178,800	175,193
AUDITOR GENERAL			
OPERATING LUMP SUM APPROPRIATION	16,546,700	16,405,100	13,259,650
OPERATING LUMP SUM APPROPRIATION FY07-08	190,889	190,889	190,889
OPERATING LUMP SUM APPROPRIATION FY08-09	276,872	276,872	276,872
OPERATING LUMP SUM APPROPRIATION FY09-10	2,199,419	2,199,419	2,056,504
CAPITAL POSTCONVICTION PUBLIC DEFENDER OFFICE, STATE			
ADMINISTRATIVE ADJUSTMENTS	-	610	610
OPERATING LUMP SUM APPROPRIATION	148,000	148,000	93,000
OPERATING LUMP SUM APPROPRIATION	647,000	633,800	633,800
CHARTER SCHOOLS, STATE BOARD FOR			
ADMINISTRATIVE ADJUSTMENTS	-	9,470	9,470
OPERATING LUMP SUM APPROPRIATION	823,900	800,100	715,306
COMMERCE, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	578	578
AGRICULTURE PRESERVATION DISTRICT	26,747	26,747	-
APPRENTICESHIP SERVICES OFFICE	189,900	188,500	183,969
COMMERCE ECON DEVELOPMENT COMMISSION FY05-06	866,122	866,122	-
INTERNATIONAL TRADE OFFICES	703,800	700,400	689,640
MILITARY BASE ECONOMIC RESEARCH STUDY	50,000	50,000	-

The Notes to Required Supplementary Information are an integral part of this schedule. (continued)

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
MILITARY INSTALLATION GF TRANSFER FY10-11	-	2,025,000	2,025,000
MILITARY INSTALLATION OPERATING FY05-06	6,172	6,172	-
MILITARY INSTALLATION OPERATING FY06-07	5,114	5,114	-
MILITARY INSTALLATION OPERATING FY07-08	6,820	6,820	-
MILITARY INSTALLATION OPERATING FY08-09	813	813	-
MILITARY INSTALLATION OPERATING FY09-10	71	71	-
OPERATING LUMP SUM APPROPRIATION	255,200	236,700	236,658
OPERATING LUMP SUM APPROPRIATION	145,400	146,300	589
RURAL ECONOMIC DEVELOPMENT	340,100	338,200	337,732
CORPORATION COMMISSION			
OPERATING LUMP SUM APPROPRIATION	589,800	620,100	620,013
OPERATING LUMP SUM APPROPRIATION	51,800	52,700	52,665
RAILROAD WARNING SYSTEMS FY00-01	47,510	47,510	-
CORRECTIONS, STATE DEPARTMENT OF			
NEW STATE PRISONS BEDS	67,861,700	65,456,700	55,381,796
OPERATING LUMP SUM APPROPRIATION	775,515,500	768,515,300	746,314,797
OPERATING LUMP SUM APPROPRIATION	180,000	180,000	180,000
OPERATING LUMP SUM APPROPRIATION	507,500	512,800	413,919
PRIVATE PRISON PER DIEM	103,445,200	94,305,800	89,345,390
PROVISIONAL BEDS	8,359,600	8,359,600	8,359,600
COURT OF APPEALS DIVISION I			
OPERATING LUMP SUM APPROPRIATION-DIVISION I	9,741,400	10,245,100	10,241,817
COURT OF APPEALS DIVISION II			
OPERATING LUMP SUM APPROPRIATION-DIVISION II	4,322,100	4,452,300	4,452,105
DEAF AND BLIND, ARIZONA SCHOOLS FOR THE			
ADMINISTRATION STATEWIDE	4,140,300	4,125,539	4,063,918
ADMINISTRATIVE ADJUSTMENTS	-	1,135,848	1,135,848
PHOENIX DAY SCHOOL FOR THE DEAF	2,768,700	2,833,359	2,319,479
PRESCHOOL AND OUTREACH PROGRAMS	1,413,600	1,454,162	1,405,597
REGIONAL COOPERATIVES	1,073,000	1,049,133	848,693
SCHOOL BUS REPLACEMENT	738,000	738,000	293,473
TUCSON CAMPUS	11,134,800	11,822,307	11,444,076
ECONOMIC SECURITY, DEPARTMENT OF			
ADM ATTORNEY GENERAL LEGAL SERVICES	626,300	627,600	627,600
ADM ATTORNEY GENERAL LEGAL SERVICES	168,900	170,200	114,840
ADM ATTORNEY GENERAL LEGAL SERVICES	17,300	17,400	17,400
ADM FINGER IMAGING	461,600	461,700	461,700
ADM FINGER IMAGING	127,800	128,200	88,355
ADMINISTRATIVE ADJUSTMENTS	-	6,925,814	6,925,814
ADMINISTRATIVE ADJUSTMENTS	-	38,972,727	38,972,727
ADMINISTRATIVE ADJUSTMENTS	-	9,676,979	9,676,979
ADMINISTRATIVE ADJUSTMENTS	-	64,803,048	64,803,048
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	11,752,500	11,992,000	11,062,559
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	2,300,200	2,397,500	-
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	22,614,900	63,408,000	58,793,744
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	3,524,200	-	-
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	39,742,500	48,389,400	35,269,725
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	47,000,300	49,008,500	34,622,307
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	1,000,000	1,000,000	-
ASSISTIVE TECHNOLOGY	200,000	-	-
CASE MANAGEMENT-TITLE XIX	11,684,200	11,076,900	11,076,900
CASE MANAGEMENT-TITLE XIX	40,099,300	41,751,800	34,950,608
CASH TRANSFER TO GENERAL FUND	-	30,000,000	30,000,000
CCA SLIDING FEE SCALES TANF FY00-99	2,423,734	2,423,734	-

The Notes to Required Supplementary Information are an integral part of this schedule. (continued)

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
CPS APPEALS	698,200	700,600	700,600
DACS ADULT SERVICES	12,924,100	7,924,100	6,820,439
DACS COMMUNITY AND EMERGENCY SERVICES	4,549,000	3,724,000	3,297,410
DACS COORDINATED HOMELESS PROGRAM	873,100	873,100	868,364
DACS COORDINATED HOMELESS PROGRAM	1,649,500	1,649,500	1,612,932
DACS COORDINATED HUNGER PROGRAM	1,254,600	1,254,600	1,205,426
DACS COORDINATED HUNGER PROGRAM	500,000	800,000	377,640
DACS DOMESTIC VIOLENCE PREVENTION	3,283,000	3,283,000	3,147,922
DACS DOMESTIC VIOLENCE PREVENTION	6,620,700	6,620,700	6,111,226
DAY CARE SUBSIDY	82,485,800	88,685,800	80,442,340
DAY CARE SUBSIDY CARE TANF	15,979,900	2,717,800	2,557,603
DBME TANF CASH BENEFITS	-	3,416,400	3,416,400
DBME TANF CASH BENEFITS	85,985,000	64,099,400	62,099,400
DBME TRIBAL PASS-THRU FUNDING	2,428,500	4,680,300	4,629,747
DBME TRIBAL PASS-THRU FUNDING	2,251,800	-	-
DBME TUBERCULOSIS CONTROL PAYMENTS	12,200	12,200	6,145
DCSE ATTORNEY GENERAL LEGAL SERVICES	678,400	680,300	680,300
DCSE ATTORNEY GENERAL LEGAL SERVICES	9,607,800	9,634,200	7,671,258
DCSE COUNTY PARTICIPATION	8,600,200	8,600,200	6,758,620
DCYF ADOPTION SERVICES TANF	19,802,400	24,102,400	21,787,643
DCYF ADOPTION SERVICES FAMILY PRESERV FY05-06	1,000,000	1,000,000	-
DCYF ADOPTION SERVICES (DCFS)	35,442,200	39,250,600	37,511,753
DCYF ATTORNEY GENERAL LEGAL SERVICES	10,858,300	10,889,700	10,889,700
DCYF ATTORNEY GENERAL LEGAL SERVICES	52,300	52,500	52,500
DCYF CHILD SUPPORT SERVICES TANF - SSBG	5,371,700	5,371,700	3,491,538
DCYF CHILDREN SUPPORT SERVICES	30,258,500	28,058,500	26,880,785
DCYF CHILDREN SUPPORT SERVICES - TANF	20,882,400	25,182,400	25,182,400
DCYF COMPREHENSIVE MED AND DENTAL (DCFS)	1,757,000	1,757,000	1,517,856
DCYF EMERGENCY PLACEMENT TANF - SSBG	2,333,700	2,333,700	2,333,700
DCYF EMERGENCY PLACEMENT	1,520,800	1,520,800	1,520,800
DCYF EMERGENCY PLACEMENT - TANF	672,700	922,700	846,185
DCYF FOSTER CARE PLACEMENT TANF - SSBG	5,074,400	5,074,400	3,366,127
DCYF FOSTER CARE PLACEMENT	11,014,500	14,239,500	14,189,908
DCYF FOSTER CARE PLACEMENT - TANF	4,823,700	1,898,700	1,617,777
DCYF INDEPENDENT LIVING MAINT	2,979,200	2,719,300	2,369,606
DCYF JOINT SUB ABUSE TREAT	4,138,900	4,138,900	4,016,347
DCYF PERMANENT GUARDIANSHIP SUBSIDY	1,743,000	4,743,000	4,249,846
DCYF PERMANENT GUARDIANSHIP SUBSIDY	7,072,300	7,072,300	6,970,983
DCYF RESIDENTIAL PLACEMENT TANF - SSBG	9,833,300	9,833,300	9,780,240
DCYF RESIDENTIAL PLACEMENT	4,257,900	4,257,900	4,207,900
DCYF RESIDENTIAL PLACEMENT - TANF	1,333,300	3,333,300	3,287,182
DCYF SUBSTANCE ABUSE TREATMENT (TANF)	2,000,000	4,000,000	3,714,302
DDD ARIZONA EARLY INTERVENTION PROGRAM	1,093,700	1,119,000	407,276
DDD CASE MANAGEMENT-STATE	3,855,500	3,887,300	3,887,300
DDD HOME AND COMMUNITY BASED SERVICES STATE ONLY	3,990,300	3,990,300	-
DDD HOME AND COMMUNITY BASED SERVICES STATE	10,473,900	20,314,500	16,611,962
DDD STATE FUNDED LTC SERVICES	-	4,000,000	-
DDD STATE FUNDED LTC SERVICES	26,529,100	26,530,200	21,855,964
DERS DAYCARE SUBSIDY	5,148,200	11,771,300	11,771,300
DERS JOBS	2,000,000	2,000,000	-
DERS WORKFORCE INVESTMENT ACT DISCRETIONARY	3,614,000	6,614,000	4,496,971
DERS WORKFORCE INVESTMENT ACT LOCAL GOVT	48,040,600	53,040,600	39,516,795
HOME AND COMMUNITY BASED SERVICES-TITLE XIX	179,993,100	148,537,800	148,537,800
HOME AND COMMUNITY BASED SERVICES-TITLE XIX	691,923,600	657,385,700	530,039,391

The Notes to Required Supplementary Information are an integral part of this schedule. (continued)

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
INDEPENDENT LIVING REHABILITATION SERVICES	466,000	186,000	139,604
INSTITUTIONAL SERVICES-TITLE XIX	4,830,700	5,365,000	5,365,000
INSTITUTIONAL SERVICES-TITLE XIX	16,575,700	19,402,900	16,698,458
JOBS	9,894,700	9,894,700	9,893,689
LTC ARIZONA TRAINING PROGRAM AT COOLIDGE	16,545,300	16,983,900	14,442,986
LTC AZ TRAINING PROGRAM COOLIDGE	5,017,000	4,754,200	4,754,200
LTC MEDICAL SERVICES	41,117,600	38,562,900	38,562,900
LTC MEDICAL SERVICES	147,324,200	132,337,100	120,204,840
LTC MEDICARE CLAWBACK PAYMENTS	1,766,300	1,766,300	1,731,300
NAVAJO MULTIPURPOSE FACILITY FY06-07	13,297	13,297	9,688
OPERATING LUMP SUM APPROPRIATION	190,253,200	125,594,800	125,594,800
SPECIAL SUPPLEMENTAL APPROPRIATION	-	16,900,000	16,900,000
SPECIAL SUPPLEMENTAL APPROPRIATION	-	32,000,000	32,000,000
STATEWIDE BUILDING RENEWAL FY10-11	-	27,000	-
TRANSITIONAL CHILD CARE	36,193,000	29,993,000	20,918,730
VOCATIONAL REHABILITATION SERVICES	3,094,400	3,794,400	3,794,400
EDUCATION, DEPARTMENT OF			
ACHIEVEMENT TESTING	3,237,100	3,230,700	3,230,700
ADDITIONAL STATE AID TO SCHOOLS	419,264,000	414,716,389	414,716,389
ADMINISTRATIVE ADJUSTMENTS	-	6,356,092	6,356,092
BASIC STATE AID - FOR PROFIT CHARTER SCHOOLS	-	527,985	527,985
BASIC STATE AID - FOR PROFIT CHARTER SCHOOLS	-	1,337,115	1,337,115
BASIC STATE AID DEFERRED PAYMENT FY08	350,000,000	350,000,000	350,000,000
BASIC STATE AID DEFERRED PAYMENT FY10	-	602,627,700	602,627,700
BASIC STATE AID ENTITLEMENT	2,138,186,300	2,049,933,911	2,044,849,169
BASIC STATE AID REDUCED APPORTION COSTS	-	886,200	886,200
CASH TRANSFER BETWEEN FUNDS	-	1,520,200	1,520,200
ENGLISH LANGUAGE ACQUISITION	4,110,300	4,069,700	4,069,700
ENGLISH LANGUAGE ACQUISITION FY06-07	379,275	379,275	106,953
ENGLISH LANGUAGE INSTRUCTION	8,791,400	8,791,400	8,791,400
ENGLISH LEARNER INSTRUCTION FY04-05	477,213	477,213	41,514
ENGLISH LEARNER TEACHER FY02-03	18,577	18,577	18,577
ENGLISH LEARNER TEACHER FY04-05	658,898	658,898	(1,590)
MATH AND SCIENCE INITIATIVES FY08-09	2,806	2,806	-
OPERATING LUMP SUM APPROPRIATION-ADMINISTRATION	6,055,600	5,923,600	5,923,600
OPERATING LUMP SUM APPROPRIATION-FORMULA PROGRAM	1,742,900	1,646,600	1,646,600
OPERATING LUMP SUM APPROPRIATION-NON FORMULA PROGRAM	686,100	659,858	659,858
OPERATING LUMP SUM APPROPRIATION-STATE BOARDS	547,100	539,700	539,700
OTHER STATE AID TO DISTRICTS '07	983,900	983,900	588,697
READING FIRST INITIATIVE FY07-08	97,472	97,472	469
SCHOOL SAFETY PROGRAM FY09-10	1,291,483	1,291,483	1,291,483
SPECIAL EDUCATION FUND	35,242,100	35,242,100	35,242,100
STATE BLOCK GRANT FOR VOCATIONAL EDUCATION	11,492,700	11,503,942	11,503,942
TEACHER CERTIFICATION GENERAL FUND TRANSFER	-	429,700	-
EMERGENCY AND MILITARY AFFAIRS, DEPARTMENT OF			
ADMINISTRATION	1,611,000	1,582,323	1,581,910
ASPEN FIRE EMERGENCY FY03-04	531,472	531,472	(8,534)
COCONINO COUNTY TWISTER FY10-11	-	200,000	59,845
DECEMBER 2010 FLOODING FY10-11	-	100,000	21,269
EMERGENCY MANAGEMENT	763,700	750,222	747,909
EUZ701 SEARCH AND RESCUE	43,286	43,286	43,047
EUZ701 SEARCH FY08-09	429	429	429
FEBRUARY 2005 WINTER STORMS FY07-08	354,968	354,968	354,937
FEBRUARY 2005 WINTER STORMS FY10-11	-	65,000	64,828

The Notes to Required Supplementary Information are an integral part of this schedule. (continued)

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
HAZARD MATERIALS CONTINGENCY FY03-04	3,699	3,699	112
HAZARD MATERIALS CONTINGENCY FY07-08	49,182	49,182	777
HOPI TRIBE FLOODING FY10-11	-	100,000	29,965
HORSESHOE TWO FIRE AND MONUMENT FIRE EMERGENCY	-	100,000	591
JANUARY 2008 SEVERE PRECIPITATION FY07-08	57,736	57,736	(21,365)
JANUARY 2008 SEVERE PRECIPITATION FY08-09	11,600	11,600	-
JANUARY 2010 WINTER STORM	-	10,000	-
JANUARY 2010 WINTER STORM FY09-10	902,144	902,144	807,354
LA PAZ/MARICOPA COUNTIES STORM FY01-02	70,250	70,250	5
LA PAZ/MARICOPA COUNTIES STORM FY03-04	9,240	9,240	-
MILITARY AFFAIRS	1,512,500	1,479,415	1,464,545
MILITARY AFFAIRS COMMISSION FY10-11	-	90,000	47,471
MONSOON 2010 FLOODING FY10-11	-	200,000	103,800
NAVAJO GILA COCONINO RODEO FIRE FY02-03	327,064	327,064	(57,523)
NORTHERN ARIZONA WINTER STORM EMERGENCY	97,397	97,397	97,286
NORTHERN ARIZONA WINTER STORM FY10-11	-	425,000	282,563
NUCLEAR EMERGENCY MANAGEMENT FUND-TRANSFER	-	440,805	440,805
NUCLEAR EMERGENCY MANAGEMENT FUND-BUCKEYE TRANSFER	-	69,909	69,909
NUCLEAR EMERGENCY MANAGEMENT FUND-MARICOPA-TRANSFER	-	418,829	418,829
OFF SITE NUCLEAR EMERGENCY FY91-92	1,708	1,708	-
OPERATION GOOD NEIGHBOR FY05-06	152,585	152,585	(450)
PROJECT CHALLENGE	1,594,600	1,562,740	1,562,740
ROOSEVELT COOLING TOWER FY05-06	50,000	50,000	-
SCHULTZ FIRE POST-FIRE FLOOD FY10-11	-	1,500,000	942,469
SEDONA FLASH FLOOD FY09-10	179,433	179,433	145,908
SERVICE CONTRACTS FY10-11	1,215,000	1,215,000	1,215,000
SUMMER 2006 MONSOONS AND FLOODING FY06-07	6,523	6,523	6,523
SUMMER 2006 MONSOONS AND FLOODING FY07-08	593,534	593,534	501,693
WALLOW FIRE EMERGENCY	-	200,000	26,827
ENVIRONMENTAL QUALITY, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	616	616
ADMINISTRATIVE ADJUSTMENTS	-	27,848	27,848
CASH TRANSFER TO GENERAL FUND	-	2,417,300	2,417,300
OPERATING LUMP SUM APPROPRIATION	10,382,700	10,590,100	2,693,187
EQUAL OPPORTUNITY, GOVERNOR'S OFFICE OF			
ADMINISTRATIVE ADJUSTMENTS	-	9	9
OPERATING LUMP SUM APPROPRIATION	196,600	193,800	192,014
EQUALIZATION, STATE BOARD OF			
ADMINISTRATIVE ADJUSTMENTS	-	47	47
OPERATING LUMP SUM APPROPRIATION	674,500	659,400	577,095
EXECUTIVE CLEMENCY, BOARD OF			
OPERATING LUMP SUM APPROPRIATION	880,200	863,600	854,124
FINANCIAL INSTITUTIONS, DEPARTMENT OF			
OPERATING LUMP SUM APPROPRIATION	2,973,000	2,894,800	2,794,887
FIRE, BUILDING AND LIFE SAFETY, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	7,980	7,980
OPERATING LUMP SUM APPROPRIATION	2,007,800	2,008,700	1,989,556
FORESTER, OFFICE OF THE STATE			
ENVIRONMENTAL COUNTY GRANTS	75,000	75,000	75,000
GENERAL FUND TRANSFER TO FIRE SUPPRESSION	-	3,000,000	3,000,000
INMATE FIRE CREWS	741,900	774,000	558,487
OPERATING LUMP SUM APPROPRIATION	2,196,100	2,112,100	2,036,913

The Notes to Required Supplementary Information are an integral part of this schedule. (continued)

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
GENERAL ACCOUNTING OFFICE			
EQUALIZATION AID - COCHISE	7,841,800	7,841,800	7,841,800
EQUALIZATION AID - GRAHAM	17,465,400	17,465,400	17,465,400
EQUALIZATION AID - NAVAJO	6,624,000	6,624,000	6,624,000
EQUALIZATION AID - YUMA LA PAZ	2,938,300	2,938,300	2,938,300
GENERAL RELIEF	-	68,687	68,687
HEALTH INSURANCE ADJUSTMENTS	14,938,800	-	-
LEASE PURCHASE ADJUSTMENTS	9,002,300	190,300	-
OPERATING STATE AID - COCHISE	7,488,700	7,488,700	7,488,700
OPERATING STATE AID - COCONINO	2,679,400	2,679,400	2,679,400
OPERATING STATE AID - GILA	658,400	658,400	658,400
OPERATING STATE AID - GRAHAM	4,243,900	4,243,900	4,243,900
OPERATING STATE AID - MARICOPA	45,327,400	45,327,400	45,327,400
OPERATING STATE AID - MOHAVE	3,682,900	3,682,900	3,682,900
OPERATING STATE AID - NAVAJO	3,590,000	3,590,000	3,590,000
OPERATING STATE AID - PIMA	15,942,100	15,942,100	15,942,100
OPERATING STATE AID - PINAL	4,935,100	4,935,100	4,935,100
OPERATING STATE AID - YAVAPAI	4,196,000	4,196,000	4,196,000
OPERATING STATE AID - YUMA LA PAZ	4,812,900	4,812,900	4,812,900
RURAL COUNTY REIMBURSEMENT SUBSIDY	1,000,000	1,000,000	466,000
WOOLSEY FLOOD DISTRICT	-	84,542	84,542
GEOLOGICAL SURVEY, ARIZONA			
OPERATING LUMP SUM APPROPRIATION	801,400	792,600	788,962
GOVERNMENT INFORMATION TECHNOLOGY AGENCY			
CASH TRANSFER TO GENERAL FUND	-	459,700	459,700
CASH TRANSFER TO GENERAL FUND	-	5,400,000	5,400,000
OPERATING LUMP SUM APPROPRIATION	2,303,600	2,379,200	1,867,215
OPERATING LUMP SUM APPROPRIATION	3,900,000	3,900,000	250,548
PUBLIC SAFETY COMMUNICATIONS PROGRAM	757,300	740,200	586,655
PUBLIC SAFETY COMMUNICATIONS PROGRAM	61,400	-	-
SW INFORMATION SECURITY & PRIVACY OFFICE	871,700	871,700	708,291
GOVERNOR, OFFICE OF THE			
OPERATING LUMP SUM APPROPRIATION FY06-07	6,613	6,613	6,613
OPERATING LUMP SUM APPROPRIATION FY07-08	222,088	222,088	222,088
OPERATING LUMP SUM APPROPRIATION FY08-09	255,065	255,065	255,065
OPERATING LUMP SUM APPROPRIATION FY09-10	854,440	854,440	(335,448)
OPERATING LUMP SUM APPROPRIATION FY10-11	7,043,900	6,937,300	5,659,410
OPERATING LUMP SUM APPROPRIATION-OSPB FY09-10	55,314	55,314	36,628
OPERATING LUMP SUM APPROPRIATION-OSPB FY10-11	1,993,500	1,927,500	1,816,911
HEALTH SERVICES, DEPARTMENT OF			
ADHS INDIRECT COSTS AHCCCS - CRS	350,000	350,000	175,000
ADMINISTRATIVE ADJUSTMENTS	-	1,812,740	1,812,740
ADMINISTRATIVE ADJUSTMENTS	-	1,048	1,048
ADMINISTRATIVE ADJUSTMENTS	-	133,664	133,664
ADULT CYSTIC FIBROSIS	105,200	105,200	52,600
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	13,263,800	8,399,518	-
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	7,879,300	7,879,300	6,352,398
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	7,827,500	7,883,300	7,817,578
AHCCCS-CHILDREN'S REHABILITATIVE SERVICES	24,973,439	21,861,670	21,861,670
AHCCCS-CHILDREN'S REHABILITATIVE SERVICES	61,132,961	67,079,897	-
AIDS REPORTING AND SURVEILLANCE	1,000,000	1,000,000	895,476
ALZHEIMER DISEASE RESEARCH	125,000	125,000	-
ASH CORRECTIVE ACTION PLAN SUPPLEMENTAL FY04-05	398,060	398,060	-
ASSURANCE AND LICENSURE	954,700	954,700	-

The Notes to Required Supplementary Information are an integral part of this schedule. (continued)

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ASSURANCE AND LICENSURE	321,900	325,300	320,318
ASSURANCE AND LICENSURE	832,200	836,100	820,719
ATTORNEY GENERAL LEGAL SERVICES	371,200	371,200	303,533
AZ STATE HOSPITAL FORENSIC UNIT DEBT SERVICE	3,111,700	3,111,700	3,111,700
AZ STATEWIDE IMMUNIZATION INFO SYSTEM	220,400	210,200	210,200
BREAST AND CERVICAL CANCER SCREENING	1,348,600	1,346,700	1,013,764
CASH TRANSFER TO GENERAL FUND	-	20,900	20,900
CHILDREN'S BH STATE MATCH FOR TITLE XIX	141,428,653	68,757,665	68,757,665
CHILDREN'S BH STATE MATCH FOR TITLE XIX	362,048,947	309,287,905	-
COMMUNITY PLACEMENT TREATMENT	1,130,700	1,130,700	-
CONTRACT COMPLIANCE	1,365,697	937,137	937,137
CONTRACT COMPLIANCE	3,496,103	3,155,783	-
COUNTY TUBERCULOSIS PROVIDER CARE AND CONTROL	591,700	591,700	503,717
CRISES SERVICES	-	14,250,825	11,072,859
HIGH RISK PERINATAL SERVICES	2,093,400	2,093,400	1,665,041
LABORATORY SERVICES	3,751,500	3,643,600	3,474,878
MEDICAID SPECIAL EXEMPTION PAYMENTS BHS	7,212,789	4,455,773	4,455,773
MEDICAID SPECIAL EXEMPTION PAYMENTS BHS	18,464,311	14,880,555	-
MEDICAID SPECIAL EXEMPTION PAYMENTS CFHS	499,461	437,227	437,227
MEDICAID SPECIAL EXEMPTION PAYMENTS CFHS	1,222,639	1,341,576	-
MEDICARE CLAWBACK PAYMENTS	8,581,500	8,581,500	8,581,500
MENTAL HEALTH AND SUBSTANCE ABUSE STATE MATCH TITLE XIX	32,784,765	26,104,581	26,104,581
MENTAL HEALTH AND SUBSTANCE ABUSE STATE MATCH TITLE XIX	93,142,835	93,546,531	-
NON TITLE PRESCRIPTION MEDICATION	28,453,800	34,859,581	33,195,499
OPERATING LUMP SUM APPROPRIATION	53,815,600	64,352,185	63,557,344
OPERATING LUMP SUM APPROPRIATION	1,578,000	1,587,500	1,587,134
POISON CONTROL CENTER FUNDING	990,000	990,000	666,345
PROP 204 ADMINISTRATION TITLE XIX MATCH	1,876,604	1,151,858	1,151,858
PROP 204 ADMINISTRATION TITLE XIX MATCH	4,803,996	3,850,381	-
PROP 204 CHILDRENS BHS TITLE XIX MATCH	2,758,585	816,835	816,835
PROP 204 CHILDRENS BHS TITLE XIX MATCH	7,061,815	3,956,025	-
PROP 204 GMH/SA TITLE XIX MATCH	45,134,236	37,095,934	37,095,934
PROP 204 GMH/SA TITLE XIX MATCH	115,540,964	132,427,400	-
PROP 204 SMI TITLE XIX MATCH	63,914,157	69,400,817	69,400,817
PROP 204 SMI TITLE XIX MATCH	163,616,443	235,655,196	-
REG HA DISPENSERS-AUDIOL PATHOL FY03-04	62,243	62,243	-
RENAL AND NON-RENAL DISEASE MANAGEMENT	198,000	198,000	110,041
SCORPION ANTIVENOM	120,000	120,000	90,000
SERIOUSLY MENTALLY ILL STATE MATCH TITLE XIX	51,073,914	57,581,336	57,581,336
SERIOUSLY MENTALLY ILL STATE MATCH TITLE XIX	130,746,186	179,628,233	-
SEXUALLY VIOLENT PERSONS	7,738,900	7,524,811	7,413,291
SEXUALLY VIOLENT PERSONS	2,149,500	2,149,500	1,735,893
SUPPORTED HOUSING	-	4,092,266	3,787,150
TANF PERINATAL SERVICES FY99-00	47,270	47,270	-
VITAL RECORDS MAINTENANCE	433,700	433,700	175,023
HIGHWAY SAFETY, GOVERNOR'S OFFICE OF			
CASH TRANSFER TO GENERAL FUND	-	50,000	50,000
HISTORICAL SOCIETY OF ARIZONA, PRESCOTT			
ADMINISTRATIVE ADJUSTMENTS	-	71,344	71,344
OPERATING LUMP SUM APPROPRIATION	692,000	671,500	618,343
HISTORICAL SOCIETY, ARIZONA			
FIELD SERVICES AND GRANTS	65,000	65,000	65,000
OPERATING LUMP SUM APPROPRIATION	2,092,100	2,024,100	2,024,100
PAPAGO PARK MUSEUM	1,713,600	3,175,400	3,175,400

The Notes to Required Supplementary Information are an integral part of this schedule. (continued)

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PAPAGO PARK MUSEUM	194,200	430,800	430,800
HOUSE OF REPRESENTATIVES			
OPERATING LUMP SUM APPROPRIATION	13,000,900	12,824,200	11,470,654
OPERATING LUMP SUM APPROPRIATION FY07-08	1,590,533	1,590,533	203,498
OPERATING LUMP SUM APPROPRIATION FY08-09	2,243,286	2,243,286	(50,625)
OPERATING LUMP SUM APPROPRIATION FY09-10	1,095,063	1,095,063	(2,299)
INDEPENDENT REDISTRICTING COMMISSION			
OPERATING LUMP SUM APPROPRIATION	500,000	500,000	106,171
INDIAN AFFAIRS, ARIZONA COMMISSION OF			
ADMINISTRATIVE ADJUSTMENTS	-	39	39
OPERATING LUMP SUM APPROPRIATION	63,800	63,000	62,305
INSURANCE, DEPARTMENT OF			
CASH TRANSFER TO GENERAL FUND	-	65,400	65,400
OPERATING LUMP SUM APPROPRIATION	5,625,800	5,449,000	5,426,005
JOINT LEGISLATIVE BUDGET COMMITTEE			
OPERATING LUMP SUM APPROPRIATION	2,548,300	2,487,100	450,926
OPERATING LUMP SUM APPROPRIATION FY08-09	6,600	6,600	6,600
OPERATING LUMP SUM APPROPRIATION FY09-10	1,499,024	1,499,024	1,499,024
JUVENILE CORRECTIONS, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	666,784	666,784
ADMINISTRATIVE ADJUSTMENTS	-	-	-
OPERATING LUMP SUM APPROPRIATION	58,331,200	53,255,000	51,167,560
OPERATING LUMP SUM APPROPRIATION	2,281,000	2,305,000	2,170,847
LAND DEPARTMENT, STATE			
CAP USER FEES	385,000	481,200	481,140
DUE DILIGENCE FUND	500,000	500,000	-
NATURAL RESOURCE CONSERVATION DISTRICTS	390,000	390,000	390,000
OPERATING LUMP SUM APPROPRIATION	2,943,500	2,425,800	2,422,776
SERVICE FEES INCREASE	-	600,000	600,000
LAW ENFORCEMENT MERIT SYSTEM COUNCIL			
OPERATING LUMP SUM APPROPRIATION	71,900	69,100	68,064
LEGISLATIVE COUNCIL			
OMBUDSMAN-CITIZENS AID OFFICE FY07-08	242	242	239
OMBUDSMAN-CITIZENS AID OFFICE FY08-09	5,452	5,452	5,452
OMBUDSMAN-CITIZENS AID OFFICE FY09-10	127,978	127,978	57,975
OMBUDSMAN-CITIZENS AID OFFICE FY10-11	552,800	537,534	433,229
OPERATING LUMP SUM APPROPRIATION	-	4,183,566	3,480,754
OPERATING LUMP SUM APPROPRIATION FY09-10	538,633	538,633	538,631
OPERATING LUMP SUM APPROPRIATION FY99-00	1,852	1,852	1,848
STATE ARCHIVES AND HISTORY BUILDING FY07-08	794,529	794,529	66,890
STATE ARCHIVES AND HISTORY BUILDING	406,856	406,856	-
LIBRARY, ARCHIVES, AND PUBLIC RECORDS, ARIZONA STATE			
GRANTS-IN-AID FY08-09	69,586	69,586	69,586
GRANTS-IN-AID FY09-10	152,664	152,664	41,014
HISTORICAL ADVISORY COMMISSION FY06-07	27,763	27,763	11,501
OPERATING LUMP SUM APPROPRIATION	73,176	73,176	-
OPERATING LUMP SUM APPROPRIATION	49,058	49,058	-
LIQUOR, LICENSES, AND CONTROL, DEPARTMENT OF			
CASH TRANSFER TO GENERAL FUND	-	214,700	214,700
IMPROVEMENT OF DATA PROCESSING SYSTEM FY06-07	104,988	104,988	3,285
OPERATING LUMP SUM APPROPRIATION	2,647,800	2,739,100	2,670,807
MEDICAL STUDENT LOANS, BOARD OF			
MEDICAL STUDENT FINANCIAL ASSISTANCE FY06-07	346,555	346,555	-
MEDICAL STUDENT FINANCIAL ASSISTANCE FY08-09	309,800	309,800	-

The Notes to Required Supplementary Information are an integral part of this schedule. (continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
MEDICAL STUDENT FINANCIAL ASSISTANCE	402,900	402,900	360,747
MEDICAL STUDENT FINANCIAL ASSISTANCE	29,000	29,000	-
MINE INSPECTOR, STATE			
ABANDONED MINES SAFETY FUND DEPOSIT	182,000	178,500	167,215
OPERATING LUMP SUM APPROPRIATION	979,700	944,839	938,617
MINES & MINERAL RESOURCES, DEPARTMENT OF			
OPERATING LUMP SUM APPROPRIATION	828,500	814,300	814,300
NAVIGABLE STREAM ADJUDICATION COMMISSION, ARIZONA			
ADMINISTRATIVE ADJUSTMENTS	-	22,503	22,503
OPERATING LUMP SUM APPROPRIATION	136,300	133,200	104,813
NORTHERN ARIZONA UNIVERSITY			
NAU - YUMA	3,103,668	3,103,668	3,103,668
OPERATING LUMP SUM APPROPRIATION	121,780,634	121,780,634	121,780,634
RESEARCH INFRASTRUCTURE FACILITIES	-	5,900,000	5,900,000
TEACHER TRAINING	2,332,437	2,332,437	2,332,437
PARKS BOARD, ARIZONA STATE			
ADMINISTRATIVE ADJUSTMENTS	-	3,185	3,185
CASH TRANSFER BETWEEN FUNDS	-	1,491,100	1,491,100
CASH TRANSFER TO GENERAL FUND	-	1,954,800	1,954,800
KARTCHNER CAVERNS STATE PARK	1,979,000	1,979,000	1,727,865
LAND CONSERVATION FUND-GENERAL FUND	-	20,000,000	20,000,000
OPERATING LUMP SUM APPROPRIATION	5,852,200	5,963,200	3,772,204
PERSONNEL BOARD			
ADMINISTRATIVE ADJUSTMENTS	-	190	190
OPERATING LUMP SUM APPROPRIATION	377,600	378,600	343,562
PIONEERS' HOME, ARIZONA			
OPERATING LUMP SUM APPROPRIATION	1,562,000	1,566,200	1,566,197
POSTSECONDARY EDUCATION, COMMISSION FOR			
LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP	1,220,800	1,220,800	1,220,800
PSYCHOLOGIST EXAMINERS, STATE BOARD OF			
GENERAL FUND TRANSFER TO AGENCY FUND	25,000	25,000	25,000
PUBLIC SAFETY, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	693	693
BUILDING RENEWAL - PROJ 917051 FY06-07	4,569	4,569	4,528
CASH TRANSFER TO GENERAL FUND	-	3,554,700	3,554,700
CASH TRANSFER TO GENERAL FUND	-	16,600	16,600
DPS HEADQUARTERS FIRE ALARM FY07-08	18,503	18,503	17,074
GIITEM	18,794,000	18,373,100	17,482,992
GIITEM-GANG INTELLIGENCE TEAM ENFORCEMENT FY09-10	2,332,282	2,332,282	2,332,267
GIITEM-GANG INTELLIGENCE TEAM ENFORCEMENT FY10-11	2,603,400	2,603,400	876,548
MICROWAVE COMMUNICATION FY06-07	638,841	638,841	65,365
MOTOR VEHICLE FUEL	3,704,200	3,704,200	3,677,594
OPERATING LUMP SUM APPROPRIATION	18,487,600	18,328,000	18,328,000
OPERATING LUMP SUM APPROPRIATION	1,504,600	1,518,800	1,518,800
OPERATING LUMP SUM APPROPRIATION	11,127,200	11,127,200	10,098,600
OPERATING LUMP SUM APPROPRIATION	205,000	205,000	20,390
OPERATING LUMP SUM APPROPRIATION	78,626,200	79,215,700	79,215,700
OPERATING LUMP SUM APPROPRIATION	296,200	296,200	291,430
RACING, ARIZONA DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	418,521	418,521
COUNTY FAIR LIVESTOCK AND AGRICULTURAL	1,779,500	1,779,500	1,779,500
COUNTY FAIR RACING	400,000	400,000	380,232
OPERATING LUMP SUM APPROPRIATION	1,631,200	1,612,000	1,594,533
RACING ADMINISTRATION	67,000	67,000	63,166

The Notes to Required Supplementary Information are an integral part of this schedule. (continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
RADIATION REGULATORY AGENCY			
ADMINISTRATIVE ADJUSTMENTS	-	434	434
NUCLEAR EMERGENCY MANAGEMENT FUND	-	639,548	639,548
OPERATING LUMP SUM APPROPRIATION	790,000	753,100	753,098
SERVICE FEES INCREASE	-	500,000	476,233
RANGERS' PENSIONS, ARIZONA			
OPERATING LUMP SUM APPROPRIATION	14,200	14,200	8,283
REAL ESTATE DEPARTMENT, STATE			
ADMINISTRATIVE ADJUSTMENTS	-	169	169
OPERATING LUMP SUM APPROPRIATION	3,021,400	2,978,600	2,812,095
REGENTS, ARIZONA BOARD OF			
ADMINISTRATIVE ADJUSTMENTS	-	180,410	180,410
ARIZONA TEACHERS INCENTIVE PROGRAM	90,000	90,000	90,000
AZ TRANSFER ARTICULATION SUPPORT SYSTEM	213,700	213,700	213,700
MATH AND SCIENCE TEACHER INITIATIVE	176,000	176,000	132,000
OPERATING LUMP SUM APPROPRIATION	2,478,400	2,372,200	2,371,440
STUDENT FINANCIAL ASSISTANCE	10,041,200	10,041,200	10,041,200
WESTERN INTERSTATE COMMISSION OFFICE	125,000	125,000	125,000
WICHE STUDENT SUBSIDIES	4,106,000	4,106,000	4,096,716
REVENUE, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	2,610	2,610
BRITS OPERATIONAL SUPPORT	5,623,700	5,583,300	5,580,545
CASH TRANSFER TO GENERAL FUND	-	3,837,500	3,837,500
CASH TRANSFER TO GENERAL FUND	-	1,262,200	1,262,200
CASH TRANSFER TO GENERAL FUND	-	286,400	286,400
OPERATING LUMP SUM APPROPRIATION	36,185,900	34,959,800	34,782,104
OPERATING LUMP SUM APPROPRIATION	20,892,500	22,092,500	22,018,742
OPERATING LUMP SUM APPROPRIATION	401,200	404,900	300,027
TAX CREDIT ADMINISTRATION	-	30,000	30,000
TEMPORARY COLLECTORS	3,000,000	2,924,500	2,924,496
UNCLAIMED PROPERTY ADMINISTRATION/AUDIT	1,770,000	1,770,000	469,786
SCHOOL FACILITIES BOARD			
BUILDING RENEWAL GRANT	2,667,900	2,667,900	2,667,900
NEW SCHOOL FACILITIES DEBT SERVICE	63,520,100	63,520,100	63,520,100
OPERATING LUMP SUM APPROPRIATION	1,428,500	1,388,200	1,309,989
SECRETARY OF STATE			
ADMINISTRATIVE ADJUSTMENTS	-	817	817
ELECTION SERVICES	4,439,900	4,434,671	3,661,416
GRANTS-IN-AID	651,400	651,400	476,651
HELP AMERICA VOTE ACT FEDERAL FUNDS FY10-11	8,934,200	8,934,200	1,610,003
HELP AMERICA VOTE ACT FEDERAL FUNDS FY09-10	5,160,117	5,160,117	1,958,155
OPERATING LUMP SUM APPROPRIATION	8,268,100	8,087,129	8,072,935
OPERATING LUMP SUM APPROPRIATION	678,800	682,600	462,401
SPECIAL ELECTION FY09-10	4,584,542	4,584,542	2,853,085
STATEWIDE RADIO READING SVC FOR BLIND	97,000	97,000	97,000
SENATE			
OPERATING LUMP SUM APPROPRIATION	8,244,800	8,066,600	6,932,523
OPERATING LUMP SUM APPROPRIATION FY08-09	574,631	574,631	574,631
OPERATING LUMP SUM APPROPRIATION FY09-10	710,404	710,404	710,404
SUPREME COURT			
ADMINISTRATIVE ADJUSTMENTS	-	6,343	6,343
ADOA BUILDING RENEWAL FUND FY09-10	1,321	1,321	-
ADULT INTENSIVE PROBATION	10,772,000	10,752,300	10,723,375
ADULT STANDARD PROBATION	13,566,300	13,543,300	13,459,116

The Notes to Required Supplementary Information are an integral part of this schedule. (continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
AUTOMATION	7,782,300	7,787,800	7,165,859
AUTOMATION	4,473,500	4,474,900	1,426,617
CASE AND CASH MANAGEMENT SYSTEM	3,365,600	3,365,600	3,120,375
CASE AND CASH MANAGEMENT SYSTEM	151,700	151,700	12,300
CASH TRANSFER TO GENERAL FUND	-	1,489,200	1,489,200
CASH TRANSFER TO GENERAL FUND	-	66,500	66,500
COMMISSION ON JUDICIAL CONDUCT	434,800	514,000	507,968
COUNTY REIMBURSEMENTS	187,900	187,900	187,900
COURT APPOINTED SPECIAL ADVOCATE	102,000	102,000	102,000
CRTS CHILLER AND THERMAL FY07-08	6,235	6,235	6,235
DOMESTIC RELATIONS	545,600	648,100	632,163
DRUG COURT	1,013,600	1,013,600	1,013,598
DRUG COURT FY06-07	61,322	61,322	-
FOSTER CARE REVIEW BOARD	2,626,400	3,319,100	3,236,511
INTERSTATE COMPACT	650,900	641,800	639,726
JUDGES COMPENSATION	7,349,500	7,377,400	7,337,313
JUDICIAL NOMINATION & PERFORMANCE REVIEW	333,800	424,400	423,113
JUVENILE DIVERSION CONSEQUENCES	9,024,900	9,024,900	9,024,900
JUVENILE FAMILY COUNSELING	660,400	660,400	656,366
JUVENILE INTENSIVE PROBATION	9,189,900	8,877,500	8,759,729
JUVENILE STANDARD PROBATION	4,614,300	4,906,000	4,862,492
JUVENILE TREATMENT SERVICES	22,358,900	22,322,700	22,160,351
MODEL COURT	447,600	447,600	447,600
OPERATING LUMP SUM APPROPRIATION	12,584,000	14,333,100	14,144,902
OPERATING LUMP SUM APPROPRIATION	2,861,400	2,863,000	2,681,382
OPERATING LUMP SUM APPROPRIATION	705,800	709,500	601,194
PROBATION SURCHARGE	5,032,100	5,032,100	3,490,367
SPECIAL WATER MASTER	20,000	20,000	20,000
TAX APPEALS, STATE BOARD OF			
OPERATING LUMP SUM APPROPRIATION	258,800	251,800	249,372
TOURISM, OFFICE OF			
CITY OF YUMA - ARIZONA WELCOME CENTER	208,189	208,189	-
TRANSPORTATION, DEPARTMENT OF			
OPERATING LUMP SUM APPROPRIATION	53,700	51,300	44,475
TREASURER, STATE			
ADMINISTRATIVE ADJUSTMENTS	-	79,233	79,233
COMMUNITY COLLEGE REIMBURSEMENT	-	2,494,831	2,494,831
CORPORATE INCOME TAX TRANSFER	-	7,000,000	7,000,000
JUSTICE OF THE PEACE SALARIES	1,115,100	1,115,100	1,058,494
OPERATING LUMP SUM APPROPRIATION	2,492,400	-	-
OPERATING LUMP SUM APPROPRIATION	2,492,400	2,513,200	2,512,672
OPERATING LUMP SUM APPROPRIATION	88,300	88,300	23,742
UNIVERSITY OF ARIZONA			
AGRICULTURE	38,528,270	38,528,270	38,528,270
ARIZONA COOPERATIVE EXTENSION	13,422,238	13,422,238	13,422,238
CLINICAL RURAL ROTATION	452,467	452,467	452,467
CLINICAL TEACHING SUPPORT	10,773,801	10,773,801	10,773,801
LIVER RESEARCH INSTITUTE	574,401	574,401	574,401
OPERATING LUMP SUM APPROPRIATION - HSC	47,010,207	47,176,207	47,176,207
OPERATING LUMP SUM APPROPRIATION - MAIN CAMPUS	200,075,901	200,064,001	200,064,001
PHOENIX MEDICAL CAMPUS	13,192,418	13,026,418	13,026,418
RESEARCH INFRASTRUCTURE FACILITIES	-	14,253,000	14,253,000
SIERRA VISTA CAMPUS	3,935,899	3,947,799	3,947,799
TELEMEDICINE NETWORK	2,330,900	2,330,900	2,330,900

The Notes to Required Supplementary Information are an integral part of this schedule. (continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
VETERANS' SERVICES, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	4,650	4,650
MILITARY FAMILY RELIEF FUND	15,291	15,291	-
OPERATING LUMP SUM APPROPRIATION	2,165,000	2,122,900	2,122,870
SOUTHERN ARIZONA CEMETERY	281,400	280,000	280,000
TUCSON VETERAN HOME FY09-10	7,808,118	7,808,118	6,391,506
VETERANS' BENEFIT COUNSELING	2,980,900	2,942,600	2,886,000
VETERANS' ORGANIZATIONS CONTRACTS	29,200	29,200	21,000
WATER RESOURCES, DEPARTMENT OF			
ADJUDICATION SUPPORT	1,256,200	1,256,200	1,251,850
ADMINISTRATIVE ADJUSTMENTS	-	1,758	1,758
ASSURED AND ADEQUATE WATER SUPPLY ADMIN	1,562,100	1,562,100	1,561,218
AUTOMATED GROUNDWATER MONITORING	422,300	422,300	416,060
CONSERVATION AND DROUGHT PROGRAM	409,900	409,900	404,654
OPERATING LUMP SUM APPROPRIATION	2,259,100	2,210,500	2,198,785
RURAL WATER STUDIES	1,173,700	1,173,700	886,945
WEIGHTS AND MEASURES, DEPARTMENT OF			
GENERAL SERVICES	1,216,900	1,195,500	1,192,201
TOTAL GENERAL FUND BUDGETARY EXPENDITURES BEFORE ADJUSTMENTS	15,550,774,204	17,567,214,335	15,611,895,106
Less:			
Department of Health Services' appropriations for AHCCCS - Children's Rehabilitative Services, Assurance and Licensure, Title XIX State Match, and Medicaid Special Exemption that were duplicate expenditure authorizations	(962,231,900)	(1,045,764,182)	-
TOTAL GENERAL FUND BUDGETARY EXPENDITURES AFTER ADJUSTMENTS	$ 14,588,542,304	$ 16,521,450,153	$ 15,611,895,106

The Notes to Required Supplementary Information are an integral part of this schedule.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
TRANSPORTATION AND AVIATION PLANNING,
HIGHWAY MAINTENANCE AND SAFETY FUND
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
TRANSPORTATION, DEPARTMENT OF			
ABANDONED VEHICLE ADMINISTRATION	$ 1,002,900	$ 1,021,500	$ 689,449
ADMINISTRATIVE ADJUSTMENTS	-	917	917
ADMINISTRATIVE ADJUSTMENTS	-	97,611	97,611
ADMINISTRATIVE ADJUSTMENTS	-	85	85
ADMINISTRATIVE ADJUSTMENTS	-	-	-
ADMINISTRATIVE ADJUSTMENTS	-	32	32
AIRPORT PLANNING AND DEVELOPMENT FY07-08	8,665,445	8,665,445	-
AIRPORT PLANNING AND DEVELOPMENT FY08-09	16,067,335	16,067,335	-
AIRPORT PLANNING AND DEVELOPMENT FY09-10	17,671,756	17,671,756	-
AIRPORT PLANNING AND DEVELOPMENT FY10-11	-	22,477,700	11,712,382
ALT TRUCK ROUTE-DOUGLAS CHINO RD FY03-04	250,000	250,000	-
ASBESTOS AND LEAD INSPECTIONS FY01-02	94,798	94,798	-
ASBESTOS AND LEAD INSPECTIONS FY02-03	589,466	589,466	-
ASPHALT STORAGE TANKS FY06-07	112,816	112,816	-
ATTORNEY GENERAL LEGAL SERVICES	2,874,900	2,895,600	2,169,975
BUILDING RENEWAL FY06 - 07	129,000	129,000	-
BUILDING RENEWAL FY07-08	24,918	24,918	24,918
BUILDING RENEWAL FY07-08	2,401	2,401	2,401
BUILDING RENEWAL FY08-09	12,335	12,335	10,886
BUILDING RENEWAL FY08-09	58,587	58,587	58,026
BUILDING RENEWAL FY09-10	50,000	50,000	47,000
BUILDING RENEWAL FY09-10	130,473	130,473	116,650
BUILDING RENEWAL FY10-11	50,000	50,000	36,584
BUILDING RENEWAL FY10-11	1,000,000	1,000,000	328,500
CASH TRANSFER TO GENERAL FUND	-	3,868,200	3,868,200
CASH TRANSFER TO GENERAL FUND	-	235,400	235,400
CASH TRANSFER TO GENERAL FUND	-	571,600	571,600
CASH TRANSFER TO WMA	323,500	324,200	324,200
DE-ICER BUILDINGS FY06-07	11,434	11,434	-
FRAUD INVESTIGATION	745,000	753,900	401,429
GRAND CANYON AIRPORT MODULAR HOUSING FY06-07	4,726	4,726	-
GRAND CANYON AIRPORT RESTROOM RENOVATION FY07-08	155,720	155,720	161
HIGHWAY MAINTENANCE	41,824,664	41,824,664	12,140,207
HIGHWAY MAINTENANCE	3	3	-
HIGHWAY MAINTENANCE FY10-11	132,605,900	133,359,000	114,276,012
HIGHWAY MAINTENANCE FY10-11	558,700	558,700	552,554
HIGHWAY TO DPS TRANSFER - DOUBLE LOAD	41,256,000	41,521,200	41,521,200
HURF TO DPS TRANSFER - DOUBLE LOAD	78,626,200	79,215,700	79,215,700
MOTOR CARRIER TOWING REGULATION FY04-05	11,108	11,108	-
MVD SECURITY ENHANCEMENT ISSUES FY02-03	715,687	715,687	-
NEW THIRD PARTY FUNDING	522,600	530,700	252,863
NEW THIRD PARTY FUNDING	72,300	72,300	70,508
NEW THIRD PARTY FUNDING	101,700	101,700	76,274
NEW THIRD PARTY FUNDING	233,600	238,000	173,760
OPERATING LUMP SUM APPROPRIATION	1,606,500	1,642,200	1,585,443
OPERATING LUMP SUM APPROPRIATION	184,648,700	187,234,200	172,909,772
OPERATING LUMP SUM APPROPRIATION	1,288,200	1,307,500	1,095,220
OPERATING LUMP SUM APPROPRIATION	72,700	74,000	28,275
OPERATING LUMP SUM APPROPRIATION	1,388,700	1,406,700	830,193
OPERATING LUMP SUM APPROPRIATION	975,900	1,001,700	759,102

The Notes to Required Supplementary Information are an integral part of this schedule. (continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
TRANSPORTATION AND AVIATION PLANNING,
HIGHWAY MAINTENANCE AND SAFETY FUND
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
OPERATING LUMP SUM APPROPRIATION	145,400	148,100	148,100
OPERATING LUMP SUM APPROPRIATION	386,800	386,800	164,852
SEF TO DPS TRANSFER - DOUBLE LOAD	1,504,600	1,518,800	1,518,800
SPRINKLERS/FIRE ALARMS FY05-06	177,926	177,926	3,430
STATEWIDE HIGHWAY CONSTRUCTION FY07-08	1,476	1,476	-
STATEWIDE HIGHWAY CONSTRUCTION FY08-09	20,031,322	20,031,322	-
STATEWIDE HIGHWAY CONSTRUCTION FY09-10	75,207,460	75,207,460	-
STATEWIDE HIGHWAY CONSTRUCTION FY10-11	-	180,594,000	180,083,869
SURPRISE MOTOR VEHICLE DIVISION FY06-07	892,410	892,410	-
TOTAL TRANSPORTATION AND AVIATION PLANNING, HIGHWAY MAINTENANCE AND SAFETY FUND BUDGETARY EXPENDITURES	$ 634,884,066	$ 847,101,311	$ 628,102,540

The Notes to Required Supplementary Information are an integral part of this schedule.

A. RECONCILIATION OF BUDGETARY TO GAAP EXPENDITURES

The accompanying Budgetary Comparison Schedules for the General Fund and the Transportation and Aviation Planning, Highway Maintenance and Safety Fund present comparisons of the legally adopted budget with actual expenditure data on the budgetary basis. The original budget represents any appropriation bills passed by June 30, 2010 that affect available appropriations during fiscal year 2011. The final budget represents any appropriation bills passed during fiscal year 2011 for fiscal year 2011 plus the original budget. Appropriation bills passed after the end of fiscal year 2011 for fiscal year 2011 would also be included in the final budget.

The Budgetary Comparison Schedules present actual amounts on the State's budgetary basis for expenditures only. The Schedules include appropriations authorized in one fund and transferred, by legislation, to another fund. The State does not have a legally adopted budget for revenues; therefore, only expenditures are presented on the Budgetary Comparison Schedule, Expenditures for the General Fund and the Transportation and Aviation Planning, Highway Maintenance and Safety Fund. As the budgetary and GAAP presentations of actual data differ, a reconciliation of the two follows (amounts expressed in thousands):

	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund
Uses/outflows of resources		
Actual expenditure amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 15,611,895	$ 628,103
Differences – budget to GAAP:		
Increase in unpaid incurred expenditures from fiscal year end 2010 to fiscal year end 2011.	2,542	445,143
Increase in unpaid payroll expenditures from fiscal year end 2010 to fiscal year end 2011. For budgetary reporting, final June 2010 payroll expenditures were charged to fiscal year 2011 budget and final June 2011 payroll expenditures were charged to fiscal year 2012 budget.	15,359	-
Distributions to counties and cities of sales taxes are recognized as expenditures on the modified accrual basis, but have no effect on budgetary expenditures.	963,415	-
Distribution to counties and cities for Urban Revenue Sharing, derived from the State's income tax collections, is recognized as an expenditure on the modified accrual basis, but has no effect on budgetary expenditures.	474,007	-
Capital leases and installment purchase contracts initiated during the fiscal year, which are not reported in budgetary expenditures.	-	4,583
Programs which are not controlled by legislative appropriations but have disbursed cash or incurred obligations during fiscal year 2011.	5,095,073	1,493,938
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(1,032,420)	(338,854)
Total expenditures, as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	$ 21,129,871	$ 2,232,913

There were no expenditures in excess of appropriations or allotments in the individual budget accounts for the year.

B. BUDGETARY BASIS OF ACCOUNTING

Formulation of the budget begins with the preparation of estimates of expenditure requirements by the head of each budgeted agency and institution. These estimates are submitted no later than September 1 of each year to the Governor's Office of Strategic Planning and Budgeting, unless an extension is granted for up to an additional 30 days. The budget is prepared by line item and/or program elements for each agency.

The budget document, as finally developed by the Governor, must be submitted to the Legislature no later than five days after the regular session convenes. The Legislature must approve the budget by passing a general and a capital outlay appropriation bill and various omnibus reconciliation bills, which are used for statutory adjustments that must be implemented to carry out the budget. The Governor may veto any item in an appropriation bill. Such vetoes are subject to legislative overrides. The budget can be amended throughout the year by special legislative appropriations and/or budget transfers. The State's Constitution prohibits the appropriation of certain state revenues (primarily tax and fee collections) from exceeding 7.41% of Arizona personal income as estimated by the Economic Estimates Commission.

The State prepares its operating budget on the cash basis of accounting. Encumbrances as of June 30 can be liquidated during an administrative period of up to four weeks known as the 13th month. At the time of the appropriation bill's passage, estimates prepared by legislative and executive branch professional staff assure the State Legislature that adequate revenues will be available to meet the level of appropriations approved. Anticipated revenue is estimated on the cash basis but is not part of the legally adopted budget. Consequently, the accompanying Budgetary Comparison Schedules only present budget to actual expenditure comparisons.

The Budgetary Comparison Schedules present all appropriation line items as passed by the State Legislature in order to demonstrate compliance with the legal level of budgetary control.

The State budgets on an annual basis. The budget format used by the State Legislature determines how an agency's appropriation appears in the General Appropriation Act. A less detailed format provides an agency with more discretion in implementing the budget. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funding. Among the possible format choices are the following:

Lump Sum – The appropriation of an agency for each fiscal year consists of a single dollar amount, thereby allowing the agency to direct funds to its activities at its own discretion, without further Legislative or Executive Branch review.

Lump Sum with Special Line Items – The appropriation of an agency for each fiscal year consists of a dollar amount for an operating budget and dollar amounts for individual special line items. Special line items are particular programs for which the Legislature has a specific policy interest. These line items may or may not include Full Time Equivalent positions. Agencies are permitted to shift funds among line items, programs, and subprograms without further Legislative or Executive Branch review, though footnotes may place additional restrictions or notifications upon the agency prior to or associated with transfers between special line items or to or from the operating budget.

During the fiscal year, $2.0 billion in supplemental appropriations, net of mid-year reversions and adjustments, were provided to the General Fund. The Transportation and Aviation Planning, Highway Maintenance and Safety Fund appropriations increased by $212.217 million. These amounts are included in the Budgetary Comparison Schedules.

State agencies are responsible for exercising budgetary control and ensuring that expenditures do not exceed appropriations. The ADOA's General Accounting Office exercises oversight and does not disburse funds in excess of appropriations.

The Governor shall have in continuous process of preparation and revision a tentative budget report for the next two ensuing years for which a budget report is required to be prepared.

Whenever the expenses of any fiscal year shall exceed the income, the Legislature may provide for levying a tax for the ensuing fiscal year sufficient, with other sources of income, to pay the deficiency, as well as the estimated expenses of the ensuing fiscal year.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2011

All expenditures of the State's money must be authorized by law. Authorization can be granted directly by law or contingent upon appropriation from the State Legislature. Periodically, the State Legislature may appropriate monies for program expenditures already authorized by law, resulting in duplicate spending authority. In appropriating monies, the State Legislature has, in some cases, included external funding sources as a portion of an agency's total program expenditure authorization (budget) and has identified the external funding sources as an offset against the program appropriations total in order to reflect the State funding amount. An example of this is found in the $309.288 million Department of Health Services' Children's Behavioral Health State Match for Title XIX on **page 145**. Accordingly, sometimes program expenditures may not exhaust specific legislative appropriations. To properly present the total budget (appropriation) information, in relationship to "actual" expenditure amounts, duplicate expenditure authorizations have been eliminated from the General Fund's budget (appropriation) totals on **page 150**.

Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB 34), the State of Arizona reports its roads and bridges using the modified approach. Assets accounted for under the modified approach include 6,722 center lane miles (18,771 travel lane miles) of roads and 4,741 bridges that the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- ¿ Maintain an asset management system that includes an up to date inventory of eligible infrastructure assets
- ¿ Perform condition assessments of eligible assets and summarize the results using a measurement scale
- ¿ Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State
- ¿ Document that the assets are being preserved approximately at or above the established condition level

As adopted by the State Transportation Board on an annual basis, the Five-Year Transportation Facilities Construction Program (Program) contains estimated expenditures for highway system improvements and the preservation of existing roadways and bridges. Both of these factors impact the condition assessment of the roads and bridges as described in the following sections. The Program in effect for fiscal year 2011 and beyond was adopted by the Transportation Board on June 18, 2010.

This Program is a dynamic instrument and adjustments are made to the annual plans based on the needs of the State to maintain the condition level of the roads and bridges at a level equal to, or greater than, the goals established by the State. In addition, not only are adjustments made during the life of the Program, circumstances may require that refinements to the individual components of the Program be made during the fiscal year.

In comparing Estimated to Actual Expenditures in the tables that follow, significant variances can occur. These variances are primarily due to the methodology used in the preparation of the Program. In this Program, the Estimated Expenditures for the current year are based on "programmed" projects which may or may not be spent in the current year of the Program. "Programmed" expenditures consist of those items that are planned for the future and contracts that have not yet been awarded. Furthermore, the Actual Expenditures will include projects that were "programmed" for a prior year's Estimated Expenditures but which did not occur, or were not completed, in the prior year.

The following information pertains to the condition assessment and maintenance of infrastructure assets and reflects the State's success in achieving condition levels that exceed the established levels.

Roads

The mission of the Arizona Department of Transportation's (ADOT) Pavement Management Section (PMS) is to develop and provide a cost effective pavement rehabilitation construction program that preserves the State's investment in its highway system and enhances public transportation and safety. The requirements of GASB 34 and the ADOT PMS both work toward the same basic goal, the efficient, effective management of the State's assets to produce long-term benefits, while minimizing expenditures.

The PMS has developed performance goals for the condition level of the pavement in the State's highway system. These goals require periodic assessment of pavement conditions and the budget level needed to meet that goal. The goal is expressed as a measure called "Serviceability", which can be defined as the ability of a pavement to serve the traveling public (as documented in 1961 after the American Association of State Highway and Transportation Officials (AASHTO) Road Test, 1956-1961). Serviceability is based on detailed measurements of objective features of the pavement and many surveys since the original road test have shown that these measurements closely track the subjective opinion of the traveling public. Most commonly, this number is called

the "Present Serviceability Rating" (PSR). PSR is a five-point scale (5 excellent, 0 impassable), similar to the Weaver/AASHTO Scale shown as follows:

Numerical Rating	PSR	Weaver/AASHTO Scale
5	Excellent	Perfect
4	Good	Very Good
3	Fair	Good
2	Poor	Fair
1	Very Poor	Poor
0	Impassable	Very Poor

The goal of the State is to maintain a condition level (PSR) rating of 3.23 or better for all roads in the State's highway system. Annually, Transportation Material Technicians drive over the system with inertial profiling equipment and measure the roughness of the pavement. This process is continuous throughout the year in order to assess the condition level of all pavement on an annual basis. As of the end of fiscal year 2011, an overall rating of 3.69 was achieved, as shown in the following graph:

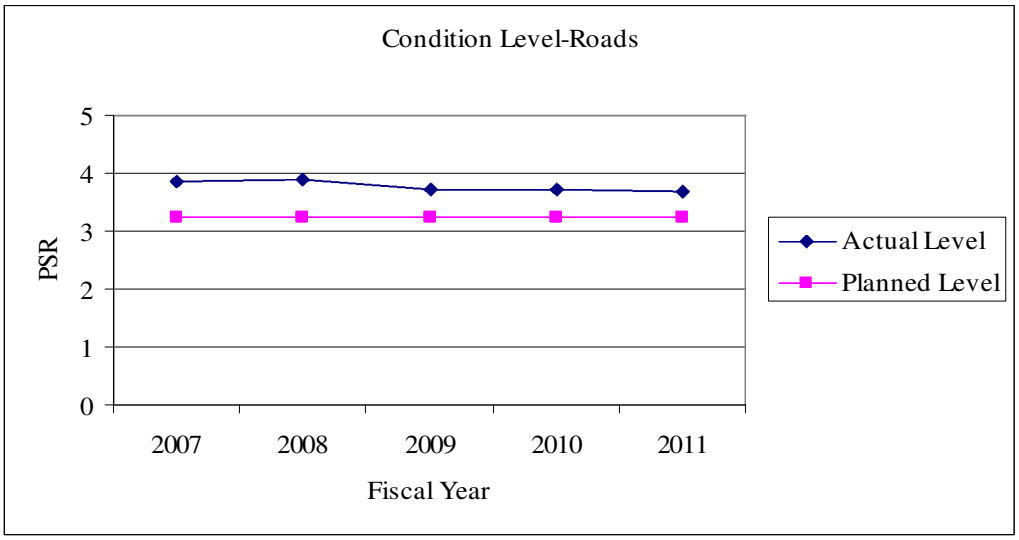


Figure 1

Preservation of the roads is accomplished through programs managed primarily by the ADOT PMS, as well as other units within the ADOT. The estimated (as specified in the Program as programmed amounts) and actual expenditures for fiscal years 2007 through 2011 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2007	$216.4	$196.5
2008	$260.7	$247.9
2009	$264.4	$236.0
2010	$227.4	$220.9
2011	$265.7	$373.4

Bridges

Bridges constitute a significant portion of all infrastructure assets in Arizona. As of June 30, 2011, the State owns and maintains 4,741 bridges with an approximate total deck area of 46,854,728 square feet. Bridges, for purposes of this report, include all structures erected over an opening or depression with a centerline of 20 feet or more. Information related to these bridges is stored and updated in the Arizona Bridge Information and Storage System (ABISS). This system is used to efficiently manage the bridge inventory through storing all bridge related data and assisting bridge engineers in arriving at appropriate bridge preservation decisions. Also, ABISS is used for reporting bridge inventory and condition, on a biennial basis, to the Federal Highway Administration (FHWA).

A Condition Rating Index (CRI) is used to track the condition of the bridge network. The CRI is based on four selected bridge inspection condition ratings, which in turn are based on standards established in the FHWA's "Recording and Coding Guide for the Structural Inventory of the Nation's Bridges." The four selected condition ratings that are included in the CRI computation are: the bridge joints condition, the deck condition, the super-structure condition, and the sub-structure condition. The bridge joints condition rating is an Arizona specific rating item not included in the FHWA condition rating guidelines, whereas the three other condition ratings are federally mandated condition ratings. The CRI is computed by subtracting from one, the ratio of the sum of the deck areas of all bridges with a condition rating of four or less, which indicates that the rated element is at best in a poor condition, to the total sum of the deck areas. The rating system in this guide is as follows:

Numerical Rating	Condition Rating
9	Excellent
8	Very Good
7	Good
6	Satisfactory
5	Fair
4	Poor
3	Serious
2	Critical
1	Imminent Failure

Management of the bridge inventory is a major function of the ADOT's Bridge Group and regularly scheduled biennial inspections are made of all bridges. A civil or structural engineer, licensed to practice in Arizona, performs these inspections. It is the policy of the State to maintain State highway bridges so that the CRI exceeds 92.5%. In fiscal year 2011, the CRI was computed at 93.1%.

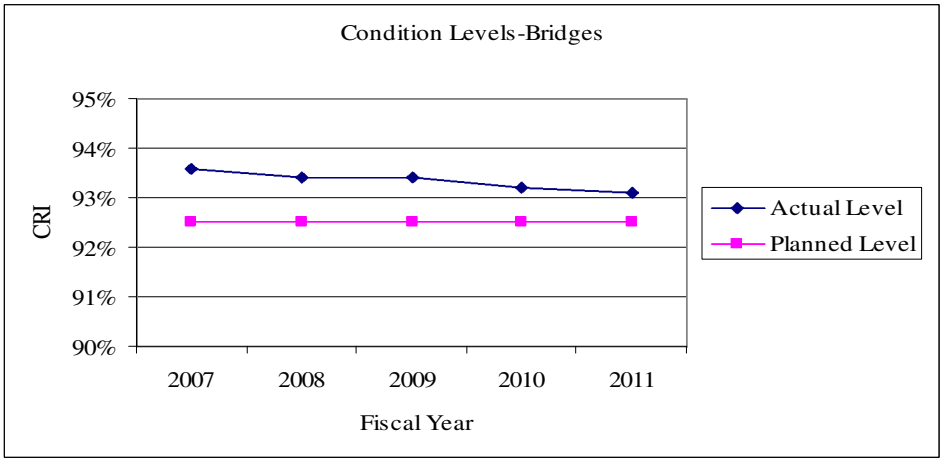


Figure 2

Bridges represent a major public investment and their inspection and maintenance is an essential function of the State in its mission of providing products and services for a safe, efficient, and cost effective transportation system. Figure 3 indicates that approximately 57% of the bridges in the State were constructed prior to the 1970s while only 13% have been constructed since 2000.

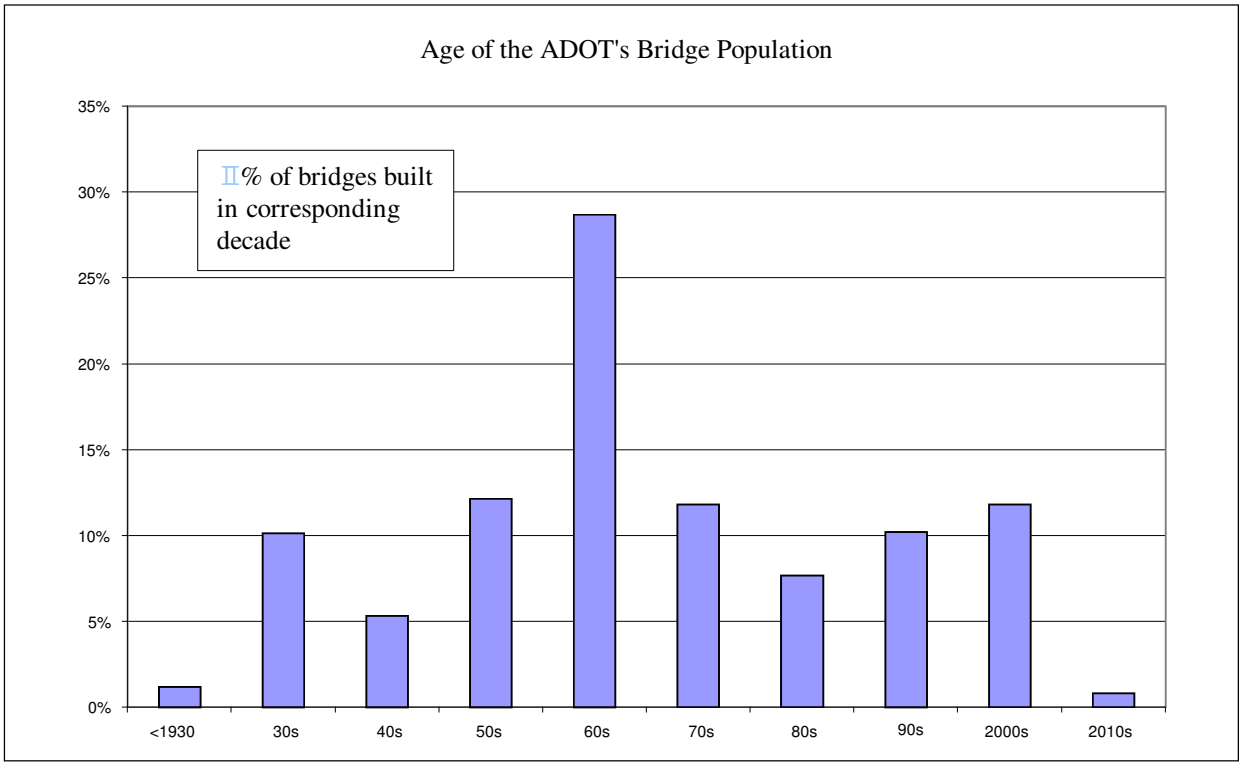


Figure 3

Preservation of the bridges is accomplished through programs managed by the Bridge Group. The estimated (as specified in the Program as programmed amounts) and actual expenditures for fiscal years 2007 through 2011 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2007	$17.1	$22.5
2008	$13.4	$18.1
2009	$14.3	$17.3
2010	$16.1	$22.4
2011	$11.8	$26.0

Actual expenditures on bridge preservation have exceeded estimated expenditures in each of the past five fiscal years. These higher-than-estimated expenditures have been the result of an ongoing effort to maintain the ability of an older inventory of bridges to serve a growing population. This trend explains why the higher expenditures have occurred simultaneously with a decline, during the same period, of the bridge network's CRI, as described above.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
AGENT BENEFIT PLANS' FUNDING PROGRESS
JUNE 30, 2011

Analysis of the funding progress for each of the agent, multiple-employer defined benefit pension plans, as of the most recent actuarial valuations, is as follows (expressed in thousands):

Plan	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Unfunded) AAL	Funded Ratio	Annual Covered Payroll	(Unfunded) AAL as a Percentage of Covered Payroll
PSPRS	6/30/2011	$ 545,586	$ 965,288	$ (419,702)	56.5%	$ 84,347	(497.6)%
	6/30/2010	554,211	891,215	(337,004)	62.2%	92,791	(363.2)%
	6/30/2009	564,000	857,854	(293,854)	65.7%	99,558	(295.2)%
CORP	6/30/2011	872,133	1,120,722	(248,589)	77.8%	361,900	(68.7)%
	6/30/2010	838,549	980,676	(142,127)	85.5%	363,999	(39.0)%
	6/30/2009	806,941	910,317	(103,376)	88.6%	373,674	(27.7)%

Analysis of the funding progress for each of the agent, multiple-employer defined benefit post-employment plans, as of the most recent actuarial valuations, is as follows (expressed in thousands):

Plan	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Unfunded) AAL	Funded Ratio	Annual Covered Payroll	(Unfunded) AAL as Percentage of Covered Payroll
PSPRS	6/30/2011	-	$ 29,200	$ (29,200)	0.0%	$ 84,347	(34.6)%
	6/30/2010	-	26,846	(26,846)	0.0%	92,791	(28.9)%
	6/30/2009	-	26,141	(26,141)	0.0%	99,558	(26.3)%
CORP	6/30/2011	-	59,971	(59,971)	0.0%	361,900	(16.6)%
	6/30/2010	-	46,868	(46,868)	0.0%	363,999	(12.9)%
	6/30/2009	-	43,951	(43,951)	0.0%	373,674	(11.8)%

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

The Debt Service Funds account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Capital Projects Funds

Capital Projects Funds account for financial resources used to acquire or construct major capital facilities (other than those financed by Proprietary Funds, Pension Trust Funds or Component Units).

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
ASSETS				
Cash	$ 4,385	$ -	$ -	$ 4,385
Cash and pooled investments with State Treasurer	467,082	8,848	-	475,930
Collateral investment pool	11,127	1,223	4,201	16,551
Receivables, net of allowances:				
Taxes	68,542	-	-	68,542
Other	25,202	-	-	25,202
Due from U.S. Government	1,019	-	-	1,019
Due from other Funds	18,531	2,071	-	20,602
Inventories, at cost	56	-	-	56
Restricted assets:				
Cash and pooled investments with State Treasurer	454,416	17,253	309,567	781,236
Cash held by trustee	-	2,243	9,175	11,418
Total Assets	$ 1,050,360	$ 31,638	$ 322,943	$ 1,404,941
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	$ 45,045	$ 284	$ 205	$ 45,534
Accrued liabilities	26,307	-	9	26,316
Obligations under securities loan agreements	11,127	1,223	4,201	16,551
Due to local governments	67,447	-	-	67,447
Due to others	20,358	-	-	20,358
Due to other Funds	21,057	-	1,627	22,684
Unavailable deferred revenue	797	-	-	797
Unearned deferred revenue	1,276	-	-	1,276
Total Liabilities	193,414	1,507	6,042	200,963
Fund Balances:				
Restricted	531,311	30,131	316,901	878,343
Committed	325,635	-	-	325,635
Total Fund Balances	856,946	30,131	316,901	1,203,978
Total Liabilities and Fund Balances	$ 1,050,360	$ 31,638	$ 322,943	$ 1,404,941

STATE OF ARIZONA

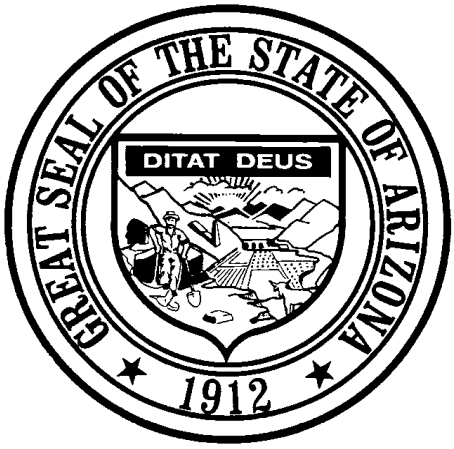
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
REVENUES				
Taxes:				
Sales	$ 396,837	$ 65,809	$ -	$ 462,646
Income	78	-	-	78
Tobacco	254,099	-	-	254,099
Motor vehicle and fuel	159,560	-	-	159,560
Other	93,428	-	-	93,428
Intergovernmental	43,853	-	-	43,853
Licenses, fees, and permits	250,586	-	-	250,586
Earnings on investments	5,588	1,954	1,096	8,638
Sales and charges for services	11,442	-	-	11,442
Fines, forfeitures, and penalties	146,745	-	-	146,745
Gaming	74,799	-	-	74,799
Other	45,152	-	-	45,152
Total Revenues	1,482,167	67,763	1,096	1,551,026
EXPENDITURES				
Current:				
General government	105,913	-	-	105,913
Health and welfare	246,891	-	-	246,891
Inspection and regulation	109,198	-	-	109,198
Education	562,510	-	-	562,510
Protection and safety	219,038	-	-	219,038
Transportation	-	-	66,041	66,041
Natural resources	97,194	-	-	97,194
Debt service:				
Principal	8,305	292,195	-	300,500
Interest and other fiscal charges	17,625	265,735	2,099	285,459
Capital outlay	20,945	-	283,236	304,181
Total Expenditures	1,387,619	557,930	351,376	2,296,925
Excess (Deficiency) of Revenues Over Expenditures	94,548	(490,167)	(350,280)	(745,899)
OTHER FINANCING SOURCES (USES)				
Transfers in	78,383	499,375	-	577,758
Transfers out	(160,048)	(5,466)	(11,000)	(176,514)
Bonds issued	-	-	180,000	180,000
Grant anticipation notes issued	-	-	158,585	158,585
Premium on debt issued	-	-	38,876	38,876
Total Other Financing Sources (Uses)	(81,665)	493,909	366,461	778,705
Net Change in Fund Balances	12,883	3,742	16,181	32,806
Fund Balances - Beginning, as restated	844,063	26,389	300,720	1,171,172
Fund Balances - Ending	$ 856,946	$ 30,131	$ 316,901	$ 1,203,978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NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

The Public Safety and Correctional Programs Fund accounts for law enforcement, military, custody, and related services provided to the general public.

The Environmental Protection Fund accounts for the protection of the State's public health by administering the State's environmental quality laws and delegating federal programs to prevent, control, and abate pollution of our air, water, and land resources.

The Healthcare and Social Services Fund accounts for health and welfare services provided to the general public.

The Tobacco Tax and Healthcare Fund accounts for the receipt of monies levied on tobacco products. The monies are used for health education programs; research, prevention and treatment of tobacco related diseases; to increase the quality of, and access to, the early childhood development and health system that ensures a child entering school comes healthy and ready to succeed; and for medically needy healthcare programs.

The Judicial and Legal Services Fund accounts for the anti-racketeering, consumer protection, consumer fraud, anti-trust, and collections enforcement programs of the Attorney General's Office and statewide court improvement functions supervised by the Arizona Supreme Court.

The Regulating and Licensing Fund accounts for inspection and regulatory services provided to the general public.

The Game and Fish Fund accounts for the receipt of monies collected by the Department of Game and Fish for various hunting and fishing licenses, for the purpose of conserving, enhancing, and restoring Arizona's diverse wildlife resources and habitats, as well as providing safe watercraft and off-highway vehicle recreation.

The State Parks Development Fund accounts for the receipt of monies collected by the State Parks Fund for the purpose of acquiring and developing State park lands, sites and facilities.

The Business Development Fund accounts for the promotion of statewide economic and community development, which supports a globally competitive Arizona.

The Educational Programs Fund accounts for supplemental building needs and instructional improvement programs specifically identified in a voter initiative that enacted a six-tenth of one percent statewide sales tax dedicated to education functions. The Educational Programs Fund supports programs from the kindergarten through university educational levels.

The Groundwater Protection and Conservation Fund accounts for strategic water resources planning, Colorado River water management, drought management planning, dam safety, flood mitigation, administration of the Arizona Groundwater Management Code, and administration of water rights. These programs are the responsibility of the Department of Water Resources.

The Clean Elections System Fund accounts for fines and fees collected to pay for campaign expenses of statewide candidates and State legislative candidates who choose not to accept private source campaign funds. The fund was established as a result of a voter initiative.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2011
(Expressed in Thousands)

	PUBLIC SAFETY & CORRECTIONAL PROGRAMS	ENVIRONMENTAL PROTECTION	HEALTHCARE & SOCIAL SERVICES	TOBACCO TAX & HEALTHCARE	JUDICIAL & LEGAL SERVICES	REGULATING & LICENSING
ASSETS						
Cash	$ 4,290	$ 14	$ -	$ -	$ -	$ 21
Cash and pooled investments with State Treasurer	75,588	30,361	35,268	21,185	67,777	68,846
Collateral investment pool	-	-	-	11,127	-	-
Receivables, net of allowances:						
Taxes	5,079	-	1,006	16,886	-	-
Other	23	-	7,654	-	1	3,054
Due from U.S. Government	-	-	217	802	-	-
Due from other Funds	3,674	9,672	1,909	326	1,418	219
Inventories, at cost	56	-	-	-	-	-
Restricted assets:						
Cash and pooled investments with State Treasurer	-	-	1,596	452,820	-	-
Total Assets	$ 88,710	$ 40,047	$ 47,650	$ 503,146	$ 69,196	$ 72,140
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and other current liabilities	$ 9,302	$ 2,242	$ 2,426	$ 553	$ 4,118	$ 2,345
Accrued liabilities	904	808	14,840	751	1,360	4,328
Obligations under securities loan agreements	-	-	-	11,127	-	-
Due to local governments	-	-	-	-	-	-
Due to others	17	-	-	20,105	-	225
Due to other Funds	2,900	5	1,123	16,429	3	305
Unavailable deferred revenue	-	-	797	-	-	-
Unearned deferred revenue	-	-	1,276	-	-	-
Total Liabilities	13,123	3,055	20,462	48,965	5,481	7,203
Fund Balances:						
Restricted	6,125	-	3,754	454,181	-	-
Committed	69,462	36,992	23,434	-	63,715	64,937
Total Fund Balances	75,587	36,992	27,188	454,181	63,715	64,937
Total Liabilities and Fund Balances	$ 88,710	$ 40,047	$ 47,650	$ 503,146	$ 69,196	$ 72,140

GAME & FISH	STATE PARKS DEVELOPMENT	BUSINESS DEVELOPMENT	EDUCATIONAL PROGRAMS	GROUNDWATER PROTECTION & CONSERVATION	CLEAN ELECTIONS SYSTEM	TOTAL
$ 60	$ -	$ -	$ -	$ -	$ -	$ 4,385
25,512	6,204	34,375	72,831	12,244	16,891	467,082
-	-	-	-	-	-	11,127
-	-	-	45,571	-	-	68,542
2,067	-	204	12,199	-	-	25,202
-	-	-	-	-	-	1,019
220	622	471	-	-	-	18,531
-	-	-	-	-	-	56
-	-	-	-	-	-	454,416
$ 27,859	$ 6,826	$ 35,050	$ 130,601	$ 12,244	$ 16,891	$ 1,050,360
$ 1,654	$ 216	$ 260	$ 21,722	$ 207	$ -	$ 45,045
2,659	190	158	194	83	32	26,307
-	-	-	-	-	-	11,127
-	-	-	67,447	-	-	67,447
11	-	-	-	-	-	20,358
281	5	5	1	-	-	21,057
-	-	-	-	-	-	797
-	-	-	-	-	-	1,276
4,605	411	423	89,364	290	32	193,414
7,044	-	2,111	41,237	-	16,859	531,311
16,210	6,415	32,516	-	11,954	-	325,635
23,254	6,415	34,627	41,237	11,954	16,859	856,946
$ 27,859	$ 6,826	$ 35,050	$ 130,601	$ 12,244	$ 16,891	$ 1,050,360

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	PUBLIC SAFETY & CORRECTIONAL PROGRAMS	ENVIRONMENTAL PROTECTION	HEALTHCARE & SOCIAL SERVICES	TOBACCO TAX & HEALTHCARE	JUDICIAL & LEGAL SERVICES	REGULATING & LICENSING
REVENUES						
Taxes:						
Sales	$ 16,602	$ -	$ 6,461	$ -	$ -	$ -
Income	-	-	-	-	-	-
Tobacco	4,258	-	8,529	241,312	-	-
Motor vehicle and fuel	120,964	31,114	-	-	-	324
Other	52,726	2,377	-	-	-	38,325
Intergovernmental	60	1	8,875	1,121	1,965	87
Licenses, fees, and permits	18,377	65,388	10,926	-	13,018	92,949
Earnings on investments	164	151	35	4,279	265	89
Sales and charges for services	5,165	-	535	-	544	930
Fines, forfeitures, and penalties	72,126	488	11,589	9	50,361	1,827
Gaming	-	-	19,799	-	-	9,751
Other	11,360	4,442	3,190	9	791	2,710
Total Revenues	301,802	103,961	69,939	246,730	66,944	146,992
EXPENDITURES						
Current:						
General government	26,138	944	2,430	668	50,802	1,799
Health and welfare	-	71,766	56,615	112,227	-	6,283
Inspection and regulation	-	1,263	-	-	19	107,916
Education	-	-	-	116,169	-	-
Protection and safety	219,021	-	-	-	-	17
Natural resources	8,772	237	-	-	-	-
Debt service:						
Principal	7,570	-	-	-	-	-
Interest and other fiscal charges	16,811	28	-	-	-	-
Capital outlay	4,990	70	313	23	42	674
Total Expenditures	283,302	74,308	59,358	229,087	50,863	116,689
Excess (Deficiency) of Revenues Over Expenditures	18,500	29,653	10,581	17,643	16,081	30,303
OTHER FINANCING SOURCES (USES)						
Transfers in	39,485	7,003	4,361	2,861	5,281	2,995
Transfers out	(43,222)	(25,827)	(5,702)	(7,099)	(16,754)	(18,745)
Total Other Financing Sources (Uses)	(3,737)	(18,824)	(1,341)	(4,238)	(11,473)	(15,750)
Net Change in Fund Balances	14,763	10,829	9,240	13,405	4,608	14,553
Fund Balances - Beginning, as restated	60,824	26,163	17,948	440,776	59,107	50,384
Fund Balances - Ending	$ 75,587	$ 36,992	$ 27,188	$ 454,181	$ 63,715	$ 64,937

GAME & FISH	STATE PARKS DEVELOPMENT	BUSINESS DEVELOPMENT	EDUCATIONAL PROGRAMS	GROUNDWATER PROTECTION & CONSERVATION	CLEAN ELECTIONS SYSTEM	TOTAL
$ -	$ -	$ -	$ 373,774	$ -	$ -	$ 396,837
-	-	-	78	-	-	78
-	-	-	-	-	-	254,099
894	6,035	-	229	-	-	159,560
-	-	-	-	-	-	93,428
28,069	-	2,550	1,125	-	-	43,853
33,262	3,761	4,413	2,552	5,940	-	250,586
201	63	188	75	78	-	5,588
2,683	11	136	1,432	6	-	11,442
162	-	-	-	-	10,183	146,745
5,651	-	-	39,598	-	-	74,799
923	345	11,160	259	3,462	6,501	45,152
71,845	10,215	18,447	419,122	9,486	16,684	1,482,167
-	-	11,242	-	-	11,890	105,913
-	-	-	-	-	-	246,891
-	-	-	-	-	-	109,198
-	-	590	445,751	-	-	562,510
-	-	-	-	-	-	219,038
67,669	12,377	18	-	8,121	-	97,194
735	-	-	-	-	-	8,305
786	-	-	-	-	-	17,625
11,474	3,349	10	-	-	-	20,945
80,664	15,726	11,860	445,751	8,121	11,890	1,387,619
(8,819)	(5,511)	6,587	(26,629)	1,365	4,794	94,548
10,010	1,493	3,820	772	302	-	78,383
(4,435)	(4,426)	(11,971)	(1,055)	(811)	(20,001)	(160,048)
5,575	(2,933)	(8,151)	(283)	(509)	(20,001)	(81,665)
(3,244)	(8,444)	(1,564)	(26,912)	856	(15,207)	12,883
26,498	14,859	36,191	68,149	11,098	32,066	844,063
$ 23,254	$ 6,415	$ 34,627	$ 41,237	$ 11,954	$ 16,859	$ 856,946

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ACCOUNTANCY, ARIZONA STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	$ 27,698	$ 27,698
OPERATING LUMP SUM APPROPRIATION	1,915,600	1,470,229
ACUPUNCTURE BOARD OF EXAMINERS		
OPERATING LUMP SUM APPROPRIATION	130,300	121,021
ADMINISTRATION, ARIZONA DEPARTMENT OF		
CASH TRANSFER TO GENERAL FUND	167,500	167,500
CASH TRANSFER TO GENERAL FUND	136,000	136,000
GOVERNMENT BUILDING DEFIBRILLATORS FY02-03	293	-
OPERATING LUMP SUM APPROPRIATION	574,200	453,574
OPERATING LUMP SUM APPROPRIATION	714,100	598,194
YUMA PRISON WATER TREATMENT UPGRADE CF FY06-07	13,912	-
AGRICULTURE, ARIZONA DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	286	286
ADMINISTRATIVE ADJUSTMENTS	246	246
ADMINISTRATIVE ADJUSTMENTS	4,379	4,379
ASIAN CITRUS PSYLLID ERADICATION	60,000	60,000
OPERATING LUMP SUM APPROPRIATION	306,100	304,691
OPERATING LUMP SUM APPROPRIATION	919,000	795,643
OPERATING LUMP SUM APPROPRIATION	393,200	355,581
OPERATING LUMP SUM APPROPRIATION	40,000	40,000
OPERATING LUMP SUM APPROPRIATION	55,000	55,000
OPERATING LUMP SUM APPROPRIATION	79,400	69,060
OPERATING LUMP SUM APPROPRIATION	311,900	311,832
OPERATING LUMP SUM APPROPRIATION	1,046,400	372,468
OPERATING LUMP SUM APPROPRIATION	9,200	9,200
OPERATING LUMP SUM APPROPRIATION	201,600	122,297
SERVICE FEES INCREASE	365,000	185,889
SERVICE FEES INCREASE	150,000	142,740
SERVICE FEES INCREASE	46,000	38,090
AHCCCS - ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM		
CAPITATION	38,295,800	38,295,750
CAPITATION	-	-
CASH TRANSFER TO GENERAL FUND	653,500	653,500
PROP 204 CAPITATION	19,222,900	19,222,900
APPRAISAL, STATE BOARD OF		
OPERATING LUMP SUM APPROPRIATION	627,400	605,737
ATHLETIC TRAINING, BOARD OF		
OPERATING APPROPRIATION	101,700	95,659
ATTORNEY GENERAL - DEPARTMENT OF LAW		
ADMINISTRATIVE ADJUSTMENTS	4,431	4,431
ADMINISTRATIVE ADJUSTMENTS	343	343
CASH TRANSFER TO GENERAL FUND	4,294,300	4,294,300
CASH TRANSFER TO GENERAL FUND	253,300	-
CASH TRANSFER TO GENERAL FUND	334,500	334,500
CASH TRANSFER TO GENERAL FUND	177,300	171,700
OPERATING LUMP SUM APPROPRIATION	3,532,000	2,096,822
OPERATING LUMP SUM APPROPRIATION	246,500	151,008
OPERATING LUMP SUM APPROPRIATION	3,353,900	3,342,747
VICTIMS RIGHTS	3,253,100	3,164,630
VICTIMS RIGHTS/NON REVERT FY00-01	33,726	33,726
AUTOMOBILE THEFT AUTHORITY		
AUTOMOBILE THEFT AUTHORITY GRANTS	4,457,500	3,838,029
CASH TRANSFER TO GENERAL FUND	881,700	881,700

(continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
OPERATING LUMP SUM APPROPRIATION	639,400	445,903
REIMBURSABLE PROGRAMS	50,000	-
BARBERS, BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	55	55
OPERATING LUMP SUM APPROPRIATION	353,200	259,608
BEHAVIORAL HEALTH EXAMINERS, BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	357	357
OPERATING LUMP SUM APPROPRIATION	1,468,100	1,237,077
CHIROPRACTIC EXAMINERS, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	417	417
OPERATING LUMP SUM APPROPRIATION	455,500	404,306
COMMERCE, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	15,886	15,886
ADVERTISING AND PROMOTION	659,200	536,517
ARIZONA SONORA TRADE OFFICE	25,000	25,000
CASH TRANSFER TO GENERAL FUND	19,500	19,500
CASH TRANSFER TO GENERAL FUND	606,100	606,100
CEDC COMMISSION	199,700	180,934
ECONOMIC DEVELOPMENT MATCHING FUNDS	104,000	104,000
INTERNATIONAL TRADE OFFICES	966,800	901,056
MAIN STREET	130,000	128,130
MINORITY AND WOMEN OWNED BUSINESS	129,800	90,342
NATIONAL LAW CENTER/FREE TRADE	200,000	150,018
OIL OVERCHARGE ADMINISTRATION	186,700	-
OPERATING LUMP SUM APPROPRIATION	70,200	2,297
OPERATING LUMP SUM APPROPRIATION	1,389,900	1,225,237
REDI MATCHING GRANTS	45,000	45,000
SMALL BUSINESS ADVOCATE	127,200	121,294
CONTRACTORS, REGISTRAR OF		
INCENTIVE PAY	113,700	-
INFORMATION MANAGEMENT SYSTEM	506,500	365,955
OFFICE OF ADMINISTRATIVE HEARING	1,017,600	534,445
OPERATING LUMP SUM APPROPRIATION	10,764,400	7,251,559
CORPORATION COMMISSION		
ADMINISTRATIVE ADJUSTMENTS	2,825	2,825
ADMINISTRATIVE ADJUSTMENTS	2,812	2,812
ADMINISTRATIVE ADJUSTMENTS	6,581	6,581
CASH TRANSFER TO GENERAL FUND	1,090,500	1,090,500
CASH TRANSFER TO GENERAL FUND	1,076,900	1,076,900
CORPORATION FILINGS, SAME DAY SERVICE	400,400	-
INVESTIGATE AND PROSECUTE SECURITY FRAUD FY00-01	165,599	-
OPERATING LUMP SUM APPROPRIATION	13,176,700	13,153,305
OPERATING LUMP SUM APPROPRIATION	4,433,900	4,387,516
OPERATING LUMP SUM APPROPRIATION	5,712,700	5,645,253
OPERATING LUMP SUM APPROPRIATION	721,300	721,019
UTILITIES, AUDITS, STUDIES, INVEST, HEAR	380,000	-
UTILITIES, AUDITS, STUDIES, INVEST, HEAR FY05-06	176,930	176,929
UTILITIES, AUDITS, STUDIES, INVEST, HEAR FY06-07	378,270	-
UTILITIES, AUDITS, STUDIES, INVEST, HEAR FY07-08	379,662	1
UTILITIES, AUDITS, STUDIES, INVEST, HEAR FY09-10	380,000	-
UTILITIES, AUDITS, STUDIES, INVEST, HEAR FY10-11	380,000	-
CORRECTIONS, STATE DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	1,387,383	1,387,383
ADMINISTRATIVE ADJUSTMENTS	18,481	18,481
OPERATING LUMP SUM APPROPRIATION	554,400	-

(continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
OPERATING LUMP SUM APPROPRIATION	555,000	555,000
OPERATING LUMP SUM APPROPRIATION	11,499,400	7,499,400
PRIVATE PRISON PER DIEM	29,017,600	23,010,748
COSMETOLOGY, BOARD OF		
OPERATING LUMP SUM APPROPRIATION	1,774,600	1,717,109
CRIMINAL JUSTICE COMMISSION, ARIZONA		
CASH TRANSFER TO GENERAL FUND	2,264,400	2,264,400
CASH TRANSFER TO GENERAL FUND	456,300	456,300
CASH TRANSFER TO GENERAL FUND	293,000	293,000
CASH TRANSFER TO GENERAL FUND	78,900	78,900
CASH TRANSFER TO GENERAL FUND	374,900	374,900
OPERATING LUMP SUM APPROPRIATION	632,500	590,853
OPERATING LUMP SUM APPROPRIATION	235,200	128,488
STATE AID TO COUNTY ATTORNEYS	-	-
STATE AID TO COUNTY ATTORNEYS	973,600	973,600
STATE AID TO INDIGENT DEFENSE	-	-
STATE AID TO INDIGENT DEFENSE	700,300	700,300
VICTIM COMPENSATION AND ASSISTANCE	-	-
VICTIM COMPENSATION AND ASSISTANCE	3,792,500	3,093,516
VICTIM COMPENSATION AND ASSISTANCE	-	-
DEAF AND HARD OF HEARING, COMMISSION FOR THE		
ADMINISTRATIVE ADJUSTMENTS	4,242	4,242
CASH TRANSFER TO GENERAL FUND	1,982,700	1,982,700
INTERPRETER FOR CERTIFICATION AND LICENSURE FY04-05	305,935	-
OPERATING LUMP SUM APPROPRIATION	3,807,700	3,282,627
DENTAL EXAMINERS, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	270	270
OPERATING LUMP SUM APPROPRIATION	1,171,100	1,027,595
ECONOMIC SECURITY, DEPARTMENT OF		
ADM ATTORNEY GENERAL LEGAL SERVICES	91,700	5,083
ADMINISTRATIVE ADJUSTMENTS	1,110,900	1,110,900
ADMINISTRATIVE ADJUSTMENTS	167	167
ADMINISTRATIVE ADJUSTMENTS	22,260	22,260
ADMINISTRATIVE ADJUSTMENTS	69,744	69,744
ADMINISTRATIVE ADJUSTMENTS	791,994	791,994
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	24,400	9,166
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	209,600	34,894
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	340,000	125,562
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	552,500	399,474
CASH TRANSFER TO GENERAL FUND	673,500	673,500
CASH TRANSFER TO GENERAL FUND	118,300	118,300
CASH TRANSFER TO GENERAL FUND	92,200	92,200
CASH TRANSFER TO GENERAL FUND	446,300	446,300
DACS DOMESTIC VIOLENCE PREVENTION	2,220,000	2,220,000
DCYF CHILDREN SUPPORT SERVICES - CAP	1,459,800	-
DERS INDEPENDENT LIVING REHAB SERVICES	1,123,400	1,044,556
DERS VOCATIONAL REHABILITATION SERVICES	204,700	145,401
JOBS	1,110,900	-
EDUCATION, DEPARTMENT OF		
ACCOUNTABILITY-SCHOOL SAFETY - PROP 301 FY09-10	31,518	31,518
ACCOUNTABILITY-SCHOOL SAFETY - PROP 301 FY10-11	7,800,000	7,080,696
ACHIEVEMENT TESTING - PROP 301 FY08-09	540,289	540,289
ACHIEVEMENT TESTING - PROP 301 FY09-10	4,670,109	3,484,168
ACHIEVEMENT TESTING - PROP 301 FY10-11	7,000,000	-
ADDITIONAL SCHOOL DAYS-PROP 301 FY10-11	86,280,500	86,280,500

(continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
CASH TRANSFER TO GENERAL FUND	372,500	372,500
CHARACTER EDUCATION - PROP 301 FY08 - 09	56,843	56,843
CHARACTER EDUCATION - PROP 301 FY09-10	200,000	200,000
CHARACTER EDUCATION - PROP 301 FY10-11	200,000	28,903
FAILING SCHOOL TUTORING-PROP 301 FY07-08	142	142
FAILING SCHOOL TUTORING-PROP 301 FY08-09	35	(103)
FAILING SCHOOL TUTORING-PROP 301 FY09-10	1,350,409	1,350,409
FAILING SCHOOL TUTORING-PROP 301 FY10-11	1,500,000	151,932
OPERATING LUMP SUM APPROPRIATION-NON FP	133,900	133,900
OPERATING LUMP SUM APPROPRIATION-ST BD	368,700	368,700
SCHOOL ACCOUNTABILITY FUND - PROP 301	283,101	-
SCHOOL ACCOUNTABILITY-PROP 301 FY08-09	1,211,507	110,384
SCHOOL ACCOUNTABILITY-PROP 301 FY09-10	386,257	(2,641)
TEACHER CERTIFICATION	1,798,100	1,798,100
EMERGENCY AND MILITARY AFFAIRS, DEPARTMENT OF		
CASH TRANSFER TO GENERAL FUND	105,239	105,239
EMERGENCY MANAGEMENT	132,700	411
ENVIRONMENTAL QUALITY, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	116,656	116,656
ADMINISTRATIVE ADJUSTMENTS	84,220	84,220
ADMINISTRATIVE ADJUSTMENTS	4,938	4,938
ADMINISTRATIVE ADJUSTMENTS	2,193	2,193
ADMINISTRATIVE ADJUSTMENTS	287	287
ADMINISTRATIVE ADJUSTMENTS	13,777	13,777
AIR QUALITY FEE FUND STATE TRANSFERS	400,000	400,000
AIR QUALITY PROGRAM - CONTINUING FY01-02	186,035	-
AIR QUALITY PROGRAM - CONTINUING FY02-03	182,451	-
CASH TRANSFER BETWEEN FUNDS	800,000	800,000
CASH TRANSFER BETWEEN FUNDS	847,900	847,900
CASH TRANSFER BETWEEN FUNDS	58,900	58,900
CASH TRANSFER TO GENERAL FUND	8,449,700	8,449,700
CASH TRANSFER TO GENERAL FUND	59,600	59,600
CASH TRANSFER TO GENERAL FUND	534,000	534,000
CASH TRANSFER TO GENERAL FUND	6,000,000	6,000,000
CASH TRANSFER TO GENERAL FUND	1,517,900	1,517,900
CASH TRANSFER TO GENERAL FUND	2,198,100	2,198,100
CASH TRANSFER TO GENERAL FUND	347,000	347,000
CASH TRANSFER TO GENERAL FUND	704,200	704,200
EMISSIONS CAP AND TRADING PROGRAM FY01-02	70,576	-
EMISSIONS CAP AND TRADING PROGRAM FY02-03	266,582	-
EMISSIONS CONTROL - CONTRACTOR PAYMENTS	27,639,600	21,227,810
OPERATING LUMP SUM APPROPRIATION	5,501,100	3,267,432
OPERATING LUMP SUM APPROPRIATION	747,900	126,580
OPERATING LUMP SUM APPROPRIATION	4,810,900	2,431,001
OPERATING LUMP SUM APPROPRIATION	5,000,000	4,162,501
OPERATING LUMP SUM APPROPRIATION	11,000	-
OPERATING LUMP SUM APPROPRIATION	11,000	-
OPERATING LUMP SUM APPROPRIATION	5,289,400	4,196,256
OPERATING LUMP SUM APPROPRIATION	1,048,500	708,002
OPERATING LUMP SUM APPROPRIATION	138,900	13,132
OPERATING LUMP SUM APPROPRIATION	5,245,600	3,601,687
POLITICAL SUBDIVISION ASSISTANCE FY01-02	18,500	-
ROADSIDE DIESEL EMISSIONS TEST FY01-02	200,000	-
SERVICE FEES INCREASE	1,035,500	818,989
SERVICE FEES INCREASE	1,294,300	1,009,488

(continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
SERVICE FEES INCREASE	1,273,900	464,224
SERVICE FEES INCREASE	2,175,400	875,994
UNDERGROUND STORAGE TANK APPEALS FY00-01	7,500	-
VISIBILITY INDEX DEVELOPMENT FY01-02	80,589	-
FINANCIAL INSTITUTIONS, DEPARTMENT OF		
OPERATING LUMP SUM APPROPRIATION	811,200	432,933
FUNERAL DIRECTORS AND EMBALMERS, STATE BOARD OF		
OPERATING LUMP SUM APPROPRIATION	352,700	294,318
GAME AND FISH DEPARTMENT, ARIZONA		
BECKER LAKE FACILITY IMPROVEMENTS FY07-08	22,972	-
BECKER LAKE WILDLIFE AREA BRIDGE FY07-08	18,322	-
BELLEMONT SHOOTING RANGE FY04-05	191	-
BEN AVERY IMPROVEMENTS FY09-10	382,445	382,444
BEN AVERY IMPROVEMENTS FY10-11	800,000	689,526
BLACK CANYON DAM MODIFICATIONS FY05-06	498,293	300,831
BLACK CANYON DAM MODIFICATIONS FY06-07	245,813	25,494
BOAT REGISTRATION KIOSKS FY07-08	240,000	-
BOAT REGISTRATION KIOSKS FY08-09	240,000	-
BOAT SHADE CANOPIES FY07-08	46,342	-
BOAT SHADE CANOPIES FY08-09	120,000	-
BUILDING RENEWAL FY08-09	51,541	50,067
BUILDING RENEWAL FY09-10	155,432	101,315
BUILDING RENEWAL FY10-11	506,800	42,680
CASH TRANSFER TO GENERAL FUND	800,000	800,000
FLAGSTAFF OFFICE REMODEL/EXPANSION FY07-08	137,322	111,817
FLAGSTAFF SHOOTING RANGE DEVELOPMENT FY00-01	5,545	3,000
FLAGSTAFF SHOOTING RANGE PLANNING 02/03	499,900	42,173
FLAGSTAFF SHOOTING RANGE PLANNING FY01-02	113,579	61,885
FLOOD WARNING SYSTEM FY06-07	12,122	-
HEADQUARTERS SECURITY SYSTEM FY03-04	1	-
LAKE HAVASU SHOOTING RANGE FY03-04	297,165	27,410
LOWER COLORADO MULTI-SPECIES CONSERVATION	350,000	350,000
MIGRATORY WATERFOWL DEVELOPMENT FY00-01	33,901	33,900
MIGRATORY WATERFOWL DEVELOPMENT FY01-02	11,500	5,999
MIGRATORY WATERFOWL DEVELOPMENT FY02-03	53,119	-
MIGRATORY WATERFOWL DEVELOPMENT FY03-04	61,715	-
MIGRATORY WATERFOWL HABITAT FY05-06	77,995	77,995
MIGRATORY WATERFOWL HABITAT FY06-07	92,442	22,530
MIGRATORY WATERFOWL HABITAT FY10-11	100,000	-
OPERATING LUMP SUM APPROPRIATION	30,593,900	25,592,630
OPERATING LUMP SUM APPROPRIATION	2,888,000	2,552,593
OPERATING LUMP SUM APPROPRIATION	334,700	227,594
OPERATING LUMP SUM APPROPRIATION	43,400	19,122
OPERATING LUMP SUM APPROPRIATION	16,000	-
PERFORMANCE INCENTIVE PAY FY10-11	300,000	300,000
PERFORMANCE INCENTIVE PAY FY10-11	46,800	46,800
PITTMAN-ROBERTSON/DINGELL-JOHNSON ACT	3,808,000	3,808,000
RADIO TOWER FY09-10	250,000	-
RADIO TOWER FY10-11	250,000	-
REGIONAL (MESA) OFFICE REMODEL FY08-09	88,660	-
REGIONAL (YUMA) OFFICE REMODEL FY08-09	952,407	39,975
REGIONAL (KINGMAN) OFFICE REMODEL FY09-10	887,736	-
REGIONAL (PINETOP) OFFICE CANOPIES FY09-10	30,000	30,000
REGIONAL (PINETOP) OFFICE PAVING FY09-10	75,000	75,000
REGIONAL (YUMA) OFFICE PAVING FY10-11	60,000	2,380

(continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ROBBINS BUTTE LEVEE FY07-08	78,273	4,000
SHOOTING RANGE ACCESS IMPROVEMENTS FY10-11	200,000	183,209
SHOOTING RANGE ACCESS IMPROVEMENTS FY09-10	67,565	65,924
SHOOTING RANGE IMPROVEMENTS FY08-09	210	72
SILVER CREEK HATCHERY REMODEL FY09-10	1,899,288	200,180
SILVER CREEK HATCHERY REMODEL FY10-11	1,000,000	-
STATEWIDE PREVENTATIVE MAINTENANCE FY08-09	4	-
STATEWIDE PREVENTATIVE MAINTENANCE FY09-10	2,799	-
STATEWIDE PREVENTATIVE MAINTENANCE FY10-11	30,000	28,723
TONTO CREEK HATCHERY IMPROVEMENTS FY05-06	39	-
TRI-STATE SHOOTING RANGE DEVELOPMENT FY04-05	299,649	-
WATERCRAFT GRANT PROGRAM	250,000	250,000
WATERCRAFT SAFETY EDUCATION PROGRAM	1,175,000	8,055
YUMA OFFICE FENCE FY06-07	10,000	10,000
YUMA OFFICE SECURITY SYSTEM FY06-07	30,000	14,650
GAMING, DEPARTMENT OF		
CASINO OPERATION CERTIFICATION	2,003,600	1,592,620
OPERATING LUMP SUM APPROPRIATION	8,133,100	8,089,163
PROBLEM GAMBLING	300,000	300,000
PROBLEM GAMBLING	1,802,400	1,575,495
HEALTH SERVICES, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	979,855	979,855
ADMINISTRATIVE ADJUSTMENTS	156,710	156,710
ADMINISTRATIVE ADJUSTMENTS	2,988	2,988
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	1,046,700	774,612
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	478,600	-
ALZHEIMER DISEASE RESEARCH	1,000,000	-
ASSURANCE AND LICENSURE	8,767,300	7,963,635
ASSURANCE AND LICENSURE	38,000	-
ATTORNEY GENERAL LEGAL SERVICES	50,000	40,885
CASH TRANSFER TO GENERAL FUND	50,000	-
CASH TRANSFER TO GENERAL FUND	41,300	41,300
CHILD FATALITY REVIEW TEAM	147,200	124,205
CHILD FATALITY REVIEW TEAM	99,100	99,100
CHILDREN'S BH STATE MATCH FOR TITLE XIX	24,748,872	24,748,872
CRISES SERVICES	3,535,275	3,535,275
CRISES SERVICES	900,000	900,000
CRISES SERVICES	1,350,000	1,350,000
EMS OPERATIONS	2,426,500	2,353,426
FOLIC ACID	400,000	182,134
HIGH RISK PERINATAL SERVICES	450,000	245,432
LABORATORY SERVICES	942,900	671,026
LOAN REPAYMENT	650,000	107,475
MENTAL HEALTH AND SUBSTANCE ABUSE STATE MATCH TITLE XIX	3,600,000	3,600,000
NEWBORN SCREENING PROGRAM	6,343,600	5,031,360
NON TITLE PRESCRIPTION MEDICATION	1,650,319	1,276,844
SERVICE FEES INCREASE	600,000	52,334
SUPPORTED HOUSING	1,232,534	1,232,534
TRAUMA ADVISORY BOARD	409,300	345,691
HOMEOPATHIC AND INTEGRATED MEDICINE EXAMINERS, BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	55	55
OPERATING LUMP SUM APPROPRIATION	119,100	103,187
HOUSING, ARIZONA DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	65	65
CASH TRANSFER TO GENERAL FUND	6,000,000	6,000,000

(continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
OPERATING LUMP SUM APPROPRIATION	955,700	927,200
INDUSTRIAL COMMISSION OF ARIZONA		
ADMINISTRATIVE ADJUSTMENTS	16,306	16,306
CASH TRANSFER TO GENERAL FUND	3,673,900	3,673,900
OPERATING LUMP SUM APPROPRIATION	20,142,400	15,888,378
INSURANCE, DEPARTMENT OF		
CASH TRANSFER TO GENERAL FUND	926,500	926,500
JUVENILE CORRECTIONS, DEPARTMENT OF		
CASH TRANSFER TO GENERAL FUND	130,600	130,600
OPERATING LUMP SUM APPROPRIATION	556,000	551,596
LAND DEPARTMENT, STATE		
NATURAL RESOURCE CONSERVATION DISTRICTS	260,000	173,750
MEDICAL EXAMINERS BOARD		
OPERATING LUMP SUM APPROPRIATION	5,893,200	4,786,605
PERFORMANCE BASED INCENTIVE PROGRAM	142,500	117,662
MINE INSPECTOR, STATE		
ADMINISTRATIVE ADJUSTMENTS	4,163	4,163
AGGREGATE MINED LAND RECLAMATION	114,000	24,425
NATUROPATHIC PHYSICIANS MEDICAL BOARD		
ADMINISTRATIVE ADJUSTMENTS	1,631	1,631
OPERATING LUMP SUM APPROPRIATION	423,780	419,373
OPERATING LUMP SUM APPROPRIATION	181,620	179,732
NURSING CARE INSTITUTION ADMINISTRATORS AND ASSISTED LIVING FACILITY MANAGERS, BOARD OF EXAMINERS OF		
ADMINISTRATIVE ADJUSTMENTS	20	20
OPERATING LUMP SUM APPROPRIATION	382,000	338,598
NURSING, STATE BOARD OF		
OPERATING LUMP SUM APPROPRIATION	4,178,400	4,169,081
RELIEF BILL CASH TRANSFER FY11	17,504	17,504
OCCUPATIONAL THERAPY EXAMINERS, BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	684	684
OPERATING LUMP SUM APPROPRIATION	143,100	142,624
OPERATING LUMP SUM APPROPRIATION	229,169	219,672
OPTICIANS, STATE BOARD OF DISPENSING		
OPERATING LUMP SUM APPROPRIATION	130,500	130,199
OPTOMETRY, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	488	488
OPERATING LUMP SUM APPROPRIATION	205,000	198,872
OSTEOPATHIC EXAMINERS, ARIZONA BOARD OF		
OPERATING LUMP SUM APPROPRIATION	719,800	659,783
PARENTS COMMISSION ON DRUG EDUCATION AND PREVENTION, ARIZONA		
CASH TRANSFER TO GENERAL FUND	2,000,000	2,000,000
PARKS BOARD, ARIZONA STATE		
ADMINISTRATIVE ADJUSTMENTS	-	-
ADMINISTRATIVE ADJUSTMENTS	3,005	3,005
CASH TRANSFER TO GENERAL FUND	96,600	96,600
KARTCHNER CAVERNS STATE PARK	222,200	222,199
OFF HIGHWAY VEHICLE PARKS OPERATIONS	692,100	663,210
OPERATING LUMP SUM APPROPRIATION	179,163	63,128
OPERATING LUMP SUM APPROPRIATION	4,136,497	3,611,316
SLIF LB	1,500	-
PEST MANAGEMENT, OFFICE OF		
OPERATING LUMP SUM APPROPRIATION	2,331,500	1,726,836
SERVICE FEES INCREASE	525,000	341,822

(continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
PHARMACY, ARIZONA STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	1,787	1,787
CONTROLLED SUB PRESCRIP MONITORING PROGRAM	350,000	350,000
OPERATING LUMP SUM APPROPRIATION	1,995,000	1,701,468
PHYSICAL THERAPY EXAMINERS, BOARD OF		
OPERATING LUMP SUM APPROPRIATION	364,300	341,041
PODIATRY EXAMINERS, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	30	30
OPERATING LUMP SUM APPROPRIATION	145,600	121,840
POSTSECONDARY EDUCATION, COMMISSION FOR		
ADMINISTRATIVE ADJUSTMENTS	64	64
ARIZONA COLLEGE AND CAREER GUIDE	21,200	70
AZ MINORITY ED POLICY ANALYSIS CENTER	100,400	13,495
FAMILY COLLEGE SAVINGS PROGRAM	153,000	153,000
LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP	3,043,700	2,392,201
OPERATING LUMP SUM APPROPRIATION	408,300	288,790
TWELVE PLUS PARTNERSHIP	130,900	28,673
PRIVATE POSTSECONDARY EDUCATION, STATE BOARD FOR		
ADMINISTRATIVE ADJUSTMENTS	51	51
OPERATING LUMP SUM APPROPRIATION	340,300	329,398
PSYCHOLOGIST EXAMINERS, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	2,554	2,554
OPERATING LUMP SUM APPROPRIATION	331,900	302,143
OPERATING LUMP SUM APPROPRIATION	36,000	25,082
PUBLIC SAFETY, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	3,000,000	3,000,000
CASH TRANSFER TO GENERAL FUND	1,876,700	1,876,700
CASH TRANSFER TO GENERAL FUND	250,000	250,000
CASH TRANSFER TO GENERAL FUND	2,460,000	2,460,000
CASH TRANSFER TO GENERAL FUND	1,000,000	1,000,000
CASH TRANSFER TO GENERAL FUND	450,000	450,000
DNA TESTING	980,000	980,000
DNA TESTING FY02-03	1,258,331	-
DNA TESTING FY03-04	678,704	-
DNA TESTING FY07-08	938,531	-
DNA TESTING FY08-09	230,451	-
MOTOR VEHICLE FUEL	231,300	231,300
OPERATING LUMP SUM APPROPRIATION	41,521,200	41,521,200
OPERATING LUMP SUM APPROPRIATION	18,468,000	17,577,316
OPERATING LUMP SUM APPROPRIATION	872,500	664,078
OPERATING LUMP SUM APPROPRIATION	3,023,700	2,711,565
OPERATING LUMP SUM APPROPRIATION	3,056,600	3,056,600
OPERATING LUMP SUM APPROPRIATION	1,823,300	1,485,300
OPERATING LUMP SUM APPROPRIATION	2,886,500	2,886,500
PHOTO ENFORCEMENT FUND-DPS OPERATING	11,084,100	2,378,950
PHOTO ENFORCEMENT-ADMIN OFFICE OF COURTS	5,330,100	1,403,651
PHOTO ENFORCEMENT-GENERAL FUND REVERSION	14,125,000	14,125,000
PUBLIC SAFETY EQUIPMENT FY08-09	2,500,000	-
PUBLIC SAFETY EQUIPMENT FY09-10	2,728,719	-
PUBLIC SAFETY EQUIPMENT FY10-11	1,200,000	1,200,000
RADIATION REGULATORY AGENCY		
ADMINISTRATIVE ADJUSTMENTS	572	572
CASH TRANSFER TO GENERAL FUND	21,300	21,300
OPERATING LUMP SUM APPROPRIATION	271,700	248,019

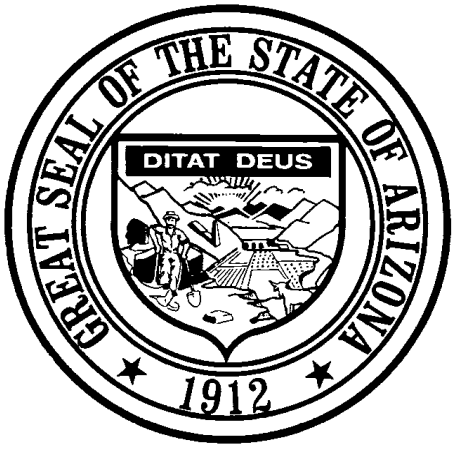
(continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
RESIDENTIAL UTILITY CONSUMER OFFICE		
ADMINISTRATIVE ADJUSTMENTS	942	942
OPERATING LUMP SUM APPROPRIATION	1,172,400	958,897
PROFESSIONAL WITNESSES	145,000	5,683
PROFESSIONAL WITNESSES FY03-04	2,988	2,988
PROFESSIONAL WITNESSES FY05-06	14,976	14,976
PROFESSIONAL WITNESSES FY06-07	9,308	9,308
PROFESSIONAL WITNESSES FY07-08	87,755	74,201
PROFESSIONAL WITNESSES FY08-09	113,849	17,221
PROFESSIONAL WITNESSES FY09-10	85,659	-
RESPIRATORY CARE EXAMINERS, BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	27	27
OPERATING LUMP SUM APPROPRIATION	271,600	265,698
REVENUE, DEPARTMENT OF		
OPERATING LUMP SUM APPROPRIATION	673,200	673,071
SUPREME COURT		
ADMINISTRATIVE ADJUSTMENTS	1,464	1,464
CASH TRANSFER TO GENERAL FUND	462,200	462,200
CASH TRANSFER TO GENERAL FUND	31,100	31,100
CASH TRANSFER TO GENERAL FUND	1,400,000	1,400,000
CASH TRANSFER TO GENERAL FUND	51,500	51,500
COMMUNITY PUNISHMENT	1,820,800	936,492
COMMUNITY PUNISHMENT	500,000	500,000
COURT APPOINTED SPECIAL ADVOCATE	3,450,800	1,884,301
JUVENILE CRIME REDUCTION	5,158,800	3,663,916
OPERATING LUMP SUM APPROPRIATION	494,000	321,105
PHOTO ENFORCEMENT FUND	5,330,100	2,692,972
STATE AID	3,038,500	1,815,122
STATE AID	2,945,800	2,650,731
TECHNICAL REGISTRATION, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	7,855	7,855
OPERATING LUMP SUM APPROPRIATION	1,770,800	1,550,821
VETERANS' SERVICES, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	1	1
OPERATING LUMP SUM APPROPRIATION	757,300	607,596
VETERINARY MEDICAL EXAMINING BOARD, ARIZONA STATE		
ADMINISTRATIVE ADJUSTMENTS	302	302
OPERATING LUMP SUM APPROPRIATION	473,100	445,515
WATER RESOURCES, DEPARTMENT OF		
ASSURED AND ADEQUATE WATER SUPPLY ADMIN	280,600	274,371
CASH TRANSFER TO GENERAL FUND	455,800	455,800
SERVICE FEES INCREASE	2,500,000	-
SERVICE FEES INCREASE	100,000	-
SERVICE FEES INCREASE	1,500,000	-
SERVICE FEES INCREASE	62,900	-
SERVICE FEES INCREASE	1,500,000	-
WEIGHTS AND MEASURES, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	15,395	15,395
ADMINISTRATIVE ADJUSTMENTS	1,367	1,367
CASH TRANSFER TO GENERAL FUND	108,600	108,600
GENERAL SERVICES	324,200	322,370
OXYGENATED FUEL	791,650	730,410
VAPOR RECOVERY	644,250	584,513
TOTAL NON-MAJOR SPECIAL REVENUE FUNDS BUDGETARY EXPENDITURES	$ 758,966,709	$ 630,164,937

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
LAND ENDOWMENTS FUND
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
CORRECTIONS, STATE DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	$ 5,753	$ 5,753
OPERATING LUMP SUM APPROPRIATION	360,000	-
PRIVATE PRISON PER DIEM	979,200	-
STATE CHAR PEN/RET LAND EARNINGS	392,919	274,240
DEAF AND BLIND, ARIZONA SCHOOLS FOR THE		
ADMINISTRATIVE ADJUSTMENTS	24,524	24,524
ADMINISTRATIVE ADJUSTMENTS	20,081	20,081
PHOENIX DAY SCHOOL FOR THE DEAF	6,009,128	5,688,335
PRESCHOOL/OUTREACH PROGRAMS	2,863,354	2,659,421
TUCSON CAMPUS	6,077,618	4,248,900
EDUCATION, DEPARTMENT OF		
BASIC STATE AID ENTITLEMENT	46,475,500	25,497,063
HEALTH SERVICES, DEPARTMENT OF		
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	1,150,000	169,090
JUVENILE CORRECTIONS, DEPARTMENT OF		
OPERATING LUMP SUM APPROPRIATION	1,098,600	1,098,600
LAND DEPARTMENT, STATE		
OPERATING LUMP SUM APPROPRIATION	9,888,400	8,312,737
PIONEERS' HOME, ARIZONA		
ADMINISTRATIVE ADJUSTMENTS	1,491	1,491
OPERATING LUMP SUM APPROPRIATION	1,811,600	1,786,223
OPERATING LUMP SUM APPROPRIATION	2,554,900	2,509,827
PRESCRIPTION DRUGS	240,000	109,435
TOTAL LAND ENDOWMENTS FUND BUDGETARY EXPENDITURES	$ 79,953,068	$ 52,405,720


GREAT SEAL OF THE STATE OF ARIZONA
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NON-MAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS

The Lottery Fund administers the payment of principal and interest on the Lottery Revenue Bonds issued by the State of Arizona (acting by and through the Director of the Department of Administration).

The Department of Transportation Fund administers the payment of principal and interest on the Highway Revenue Bonds issued by the Arizona Department of Transportation Board and the retirement of previously issued revenue bonds.

The Maricopa Regional Area Road Fund (RARF) administers the payment of principal and interest on the Arizona Transportation Excise Tax Revenue Bonds issued by the Arizona Department of Transportation Board and the retirement of previously issued revenue bonds.

The Certificates of Participation Fund administers the payment of principal and interest on the certificates of participation issued by the State of Arizona (acting by and through the Director of the Department of Administration) and the retirement of previously issued certificates of participation.

The School Facilities Debt Instrument Fund administers the payment of principal and interest on revenue bonds issued by the State of Arizona's School Facilities Board and the retirement of previously issued revenue bonds.

The Grant Anticipation Notes Fund administers the payment of principal and interest on grant anticipation notes issued by the Arizona Department of Transportation Board and the retirement of previously issued grant anticipation notes.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2011
(Expressed in Thousands)

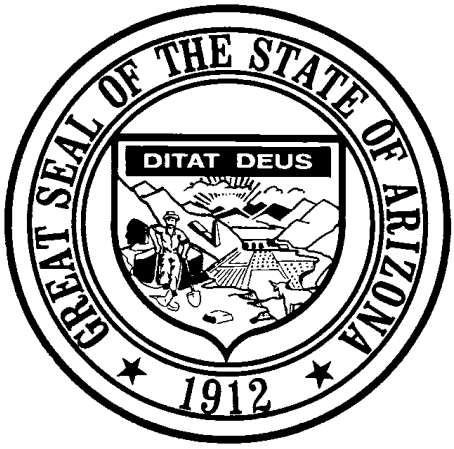
	LOTTERY	DEPARTMENT OF TRANSPORTATION	MARICOPA RARF	CERTIFICATES OF PARTICIPATION
ASSETS				
Cash and pooled investments with State Treasurer	$ -	$ -	$ -	$ 1,000
Collateral Investment Pool	-	1,223	-	-
Due from other Funds	2,071	-	-	-
Restricted assets:				
Cash and pooled investments with State Treasurer	-	1,273	209	-
Cash held by trustee	-	-	-	2,243
Total Assets	$ 2,071	$ 2,496	$ 209	$ 3,243
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	$ -	$ -	$ -	$ 284
Obligations under securities loan agreements	-	1,223	-	-
Total Liabilities	-	1,223	-	284
Fund Balances:				
Restricted	$ 2,071	$ 1,273	$ 209	$ 2,959
Total Liabilities and Fund Balances	$ 2,071	$ 2,496	$ 209	$ 3,243

SCHOOL FACILITIES DEBT INSTRUMENT	GRANT ANTICIPATION NOTES	TOTAL
$ 7,848	$ -	$ 8,848
-	-	1,223
-	-	2,071
15,581	190	17,253
-	-	2,243
$ 23,429	$ 190	$ 31,638
$ -	$ -	$ 284
-	-	1,223
-	-	1,507
$ 23,429	$ 190	$ 30,131
$ 23,429	$ 190	$ 31,638

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	LOTTERY	DEPARTMENT OF TRANSPORTATION	MARICOPA RARF	CERTIFICATES OF PARTICIPATION
REVENUES				
Sales taxes	$ -	$ -	$ -	$ -
Earnings on investments	-	617	201	-
Total Revenues	-	617	201	-
EXPENDITURES				
Debt service:				
Principal	-	71,770	45,970	48,135
Interest and other fiscal charges	21,630	83,998	42,517	66,527
Total Expenditures	21,630	155,768	88,487	114,662
(Deficiency) of Revenues Over Expenditures	(21,630)	(155,151)	(88,286)	(114,662)
OTHER FINANCING SOURCES (USES)				
Transfers in	21,446	154,459	88,262	120,524
Transfers out	-	-	-	(4,916)
Total Other Financing Sources (Uses)	21,446	154,459	88,262	115,608
Net Change in Fund Balances	(184)	(692)	(24)	946
Fund Balances - Beginning	2,255	1,965	233	2,013
Fund Balances - Ending	$ 2,071	$ 1,273	$ 209	$ 2,959

SCHOOL FACILITIES DEBT INSTRUMENT	GRANT ANTICIPATION NOTES	TOTAL
$ 65,809	$ -	$ 65,809
1,134	2	1,954
66,943	2	67,763
55,750	70,570	292,195
32,807	18,256	265,735
88,557	88,826	557,930
(21,614)	(88,824)	(490,167)
25,858	88,826	499,375
(550)	-	(5,466)
25,308	88,826	493,909
3,694	2	3,742
19,735	188	26,389
$ 23,429	$ 190	$ 30,131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NON-MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS

The Department of Transportation Financed Fund administers the proceeds from the Highway Revenue Bonds issued by the Arizona Department of Transportation Board. These monies are expended for the construction of federal, state, and local highways.

The Grant Anticipation Notes Financed Fund administers proceeds from Arizona Transportation Board Grant Anticipation Notes. These monies are expended for the acquisition of right-of-way purchase, or construction of certain controlled access highways within Maricopa County.

The Certificates of Participation Financed Fund administers the proceeds from the certificates of participation issued by the State of Arizona (acting by and through the Director of the Department of Administration). These monies are expended on various projects including new building construction and the development of the Human Resource Information System.

The Maricopa Regional Area Road Debt Financed Fund (MRARF) administers the bond proceeds from the Transportation Board of the State of Arizona Transportation Excise Tax Revenue Bonds. These monies are spent on the construction of State highways within Maricopa County.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2011
(Expressed in Thousands)

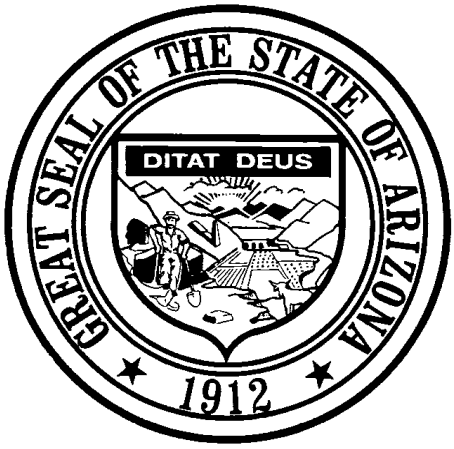
	DEPARTMENT OF TRANSPORTATION FINANCED	GRANT ANTICIPATION NOTES FINANCED	CERTIFICATES OF PARTICIPATION FINANCED	MRARF DEBT FINANCED
ASSETS				
Collateral investment pool	$ 957	$ 1,791	$ -	$ 1,453
Restricted assets:				
Cash and pooled investments with State Treasurer	19,684	157,025	8,507	124,351
Cash held by trustee	-	-	9,175	-
Total Assets	$ 20,641	$ 158,816	$ 17,682	$ 125,804
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	$ -	$ -	$ 205	$ -
Accrued liabilities	-	-	9	-
Obligations under securities loan agreements	957	1,791	-	1,453
Due to other Funds	-	-	-	1,627
Total Liabilities	957	1,791	214	3,080
Fund Balances:				
Restricted	19,684	157,025	17,468	122,724
Total Fund Balances	19,684	157,025	17,468	122,724
Total Liabilities and Fund Balances	$ 20,641	$ 158,816	$ 17,682	$ 125,804

	TOTAL
$	4,201
	309,567
	9,175
$	322,943
$	205
	9
	4,201
	1,627
	6,042
	316,901
	316,901
$	322,943

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION FINANCED	GRANT ANTICIPATION NOTES FINANCED	CERTIFICATES OF PARTICIPATION FINANCED	MRARF DEBT FINANCED
REVENUES				
Earnings on investments	$ (790)	$ 1,138	$ 175	$ 573
Total Revenues	(790)	1,138	175	573
EXPENDITURES				
Current:				
Transportation	23,501	35,958	-	6,582
Debt service:				
Interest and other fiscal charges	-	1,003	-	1,096
Capital outlay	51,011	34,399	17,110	180,716
Total Expenditures	74,512	71,360	17,110	188,394
(Deficiency) of Revenues Over Expenditures	(75,302)	(70,222)	(16,935)	(187,821)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(11,000)	-
Bonds issued	-	-	-	180,000
Grant anticipation notes issued	-	158,585	-	-
Premium on debt issued	-	12,452	-	26,424
Total Other Financing (Uses)	-	171,037	(11,000)	206,424
Net Change in Fund Balances	(75,302)	100,815	(27,935)	18,603
Fund Balances - Beginning	94,986	56,210	45,403	104,121
Fund Balances - Ending	$ 19,684	$ 157,025	$ 17,468	$ 122,724

TOTAL
$ 1,096
1,096
66,041
2,099
283,236
351,376
(350,280)
(11,000)
180,000
158,585
38,876
366,461
16,181
300,720
$ 316,901


GREAT SEAL OF THE STATE OF ARIZONA
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NON-MAJOR ENTERPRISE FUNDS

Enterprise Funds account for operations (a) financed and operated in a manner similar to private business enterprises, where the State intends that the cost of providing goods or services to the general public be financed or recovered primarily through service charges, or (b) where the State decides that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Arizona Industries for the Blind Fund accounts for the manufacturing, sale, distribution, and marketing of products manufactured by employees at training centers, workshops, business enterprises and home industries programs for the training and employment of adaptable visually impaired persons.

The Arizona Correctional Industries Fund employs prison inmates in its manufacturing, service, and agricultural operations for the sale of goods and services primarily to other State agencies (including the Arizona Department of Corrections) and political subdivisions.

The Arizona Highways Magazine Fund publishes and markets the Arizona Highways Magazine and various other products that promote the State of Arizona.

The Coliseum & Exposition Center Fund provides rental space to a variety of entertainment and promotional lessees, and sponsors the annual State Fair.

The Highway Expansion & Extension Loan Program provides the State and communities in Arizona a new financing mechanism to stretch limited transportation dollars and bridge the gap between needs and available revenues.

The Healthcare Group of Arizona administers prepaid medical coverage primarily to small, uninsured businesses with 50 or fewer employees and employees of political subdivisions. The Healthcare Group of Arizona processes premium billing, collections and fund disbursements, performs data analysis, and is responsible for the regulatory oversight of the health plans.

The Other Enterprise Funds consist of the Veterans Administration Reimbursement Fund and the State Home for Veterans Trust Fund.

STATE OF ARIZONA
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2011
(Expressed in Thousands)

	ARIZONA INDUSTRIES FOR THE BLIND	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE	COLISEUM & EXPOSITION CENTER	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM
ASSETS					
Current Assets:					
Cash	$ 4,800	$ 175	$ -	$ 21	$ -
Cash and pooled investments with State Treasurer	366	3,744	1,647	1,868	-
Restricted cash and pooled investments with State Treasurer	-	-	-	-	71,694
Collateral investment pool	-	-	-	-	912
Receivables, net of allowances:					
Interest	-	-	-	-	111
Loans and notes	-	-	-	-	3,894
Other	1,385	4,482	263	39	-
Due from U.S. Government	72	-	-	-	-
Due from other Funds	10	-	22	-	-
Inventories, at cost	2,850	2,984	473	-	-
Other current assets	61	127	392	27	-
Total Current Assets	9,544	11,512	2,797	1,955	76,611
Noncurrent Assets:					
Loans and notes receivable, net of allowances	-	-	-	-	530
Capital assets:					
Land and other non-depreciable	182	692	8	179	-
Buildings, equipment, and other depreciable, net of accumulated depreciation	961	2,515	46	6,915	-
Total Noncurrent Assets	1,143	3,207	54	7,094	530
Total Assets	10,687	14,719	2,851	9,049	77,141
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	505	830	32	58	-
Accrued liabilities	306	621	90	92	2
Obligations under securities loan agreements	-	-	-	-	912
Due to local governments	-	-	-	-	31
Due to other Funds	-	-	-	-	-
Unearned deferred revenue	-	69	2,354	-	-
Current portion of long-term debt	-	110	-	-	-
Current portion of other long-term liabilities	181	433	132	153	4
Total Current Liabilities	992	2,063	2,608	303	949
Noncurrent Liabilities:					
Contracts payable	-	-	-	-	-
Long-term debt	-	20	-	-	-
Other long-term liabilities	86	-	-	-	-
Total Noncurrent Liabilities	86	20	-	-	-
Total Liabilities	1,078	2,083	2,608	303	949
NET ASSETS					
Invested in capital assets, net of related debt	1,143	3,077	54	7,094	-
Restricted for:					
Loans and other financial assistance:					
Expendable	-	-	-	-	76,192
Unassigned (deficit)	8,466	9,559	189	1,652	-
Total Net Assets	$ 9,609	$ 12,636	$ 243	$ 8,746	$ 76,192

HEALTHCARE GROUP OF ARIZONA	OTHER	TOTAL
$ -	$ -	$ 4,996
8,941	2,988	19,554
-	-	71,694
-	-	912
-	-	111
-	-	3,894
-	2,195	8,364
-	-	72
-	75	107
-	-	6,307
-	-	607
8,941	5,258	116,618
-	-	530
-	980	2,041
3	7,717	18,157
3	8,697	20,728
8,944	13,955	137,346
54	191	1,670
2,767	548	4,426
-	-	912
-	-	31
-	1	1
4,383	-	6,806
-	-	110
78	-	981
7,282	740	14,937
4,651	-	4,651
-	-	20
-	-	86
4,651	-	4,757
11,933	740	19,694
3	8,697	20,068
-	-	76,192
(2,992)	4,518	21,392
$ (2,989)	$ 13,215	$ 117,652

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

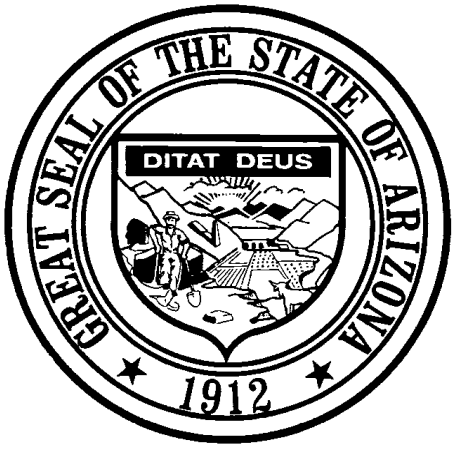
	ARIZONA INDUSTRIES FOR THE BLIND	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE	COLISEUM & EXPOSITION CENTER	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM
OPERATING REVENUES					
Sales and charges for services	$ 19,084	$ 34,140	$ 5,062	$ 9,696	$ -
Intergovernmental	731	-	-	-	-
Earnings on investments	-	-	-	-	154
Other	25	-	557	997	-
Total Operating Revenues	19,840	34,140	5,619	10,693	154
OPERATING EXPENSES					
Cost of sales and benefits	10,086	26,869	2,466	1,724	-
Personal services	5,099	2,972	1,553	3,654	46
Contractual services	1,974	29	477	3,368	38
Depreciation and amortization	123	523	39	772	-
Insurance	-	-	-	160	-
Other	929	888	205	1,056	-
Total Operating Expenses	18,211	31,281	4,740	10,734	84
Operating Income (Loss)	1,629	2,859	879	(41)	70
NON-OPERATING REVENUES (EXPENSES)					
(Loss) on sale of capital assets	-	(3)	-	-	-
Investment income	7	9	10	3	545
Other non-operating revenue	-	-	-	-	-
Interest expense	-	(25)	-	-	-
Other non-operating expense	(784)	-	(1)	-	(42)
Total Non-Operating Revenues (Expenses)	(777)	(19)	9	3	503
Income (Loss) Before Transfers	852	2,840	888	(38)	573
Transfers in	850	-	851	-	-
Transfers out	(254)	(328)	(922)	(119)	-
Change in Net Assets	1,448	2,512	817	(157)	573
Total Net Assets - Beginning	8,161	10,124	(574)	8,903	75,619
Total Net Assets - Ending	$ 9,609	$ 12,636	$ 243	$ 8,746	$ 76,192

HEALTHCARE GROUP OF ARIZONA	OTHER	TOTAL
$ 38,428	$ 16,390	$ 122,800
-	-	731
-	-	154
-	78	1,657
38,428	16,468	125,342
31,823	35	73,003
1,237	10,979	25,540
172	1,255	7,313
16	356	1,829
-	289	449
260	3,112	6,450
33,508	16,026	114,584
4,920	442	10,758
(5)	-	(8)
50	7	631
1,515	-	1,515
-	-	(25)
(6)	-	(833)
1,554	7	1,280
6,474	449	12,038
-	-	1,701
(453)	-	(2,076)
6,021	449	11,663
(9,010)	12,766	105,989
$ (2,989)	$ 13,215	$ 117,652

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	ARIZONA INDUSTRIES FOR THE BLIND	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE	COLISEUM & EXPOSITION CENTER	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ 19,591	$ 33,828	$ 4,993	$ 9,657	$ 74
Receipts from grants and contracts	1,200	-	-	-	-
Receipts from repayment of loans to local governments	-	-	-	-	4,381
Payments to suppliers or insurance companies	(10,408)	(14,699)	(3,072)	(6,432)	(38)
Payments to employees	(5,077)	(16,175)	(1,542)	(3,576)	(45)
Other receipts (payments)	(2,878)	-	557	997	-
Net Cash Provided by Operating Activities	2,428	2,954	936	646	4,372
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers from other Funds	850	-	851	-	-
Transfers to other Funds	(254)	(328)	(922)	(119)	-
Other receipts (payments)	(784)	-	-	-	-
Net Cash (Used) by Non-capital Financing Activities	(188)	(328)	(71)	(119)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(429)	(367)	-	(13)	-
Interest paid on capital debt, installment purchase contracts, and capital leases	-	(25)	-	-	-
Principal paid on capital debt, installment purchase contracts, and capital leases	-	(99)	-	-	-
Net Cash (Used) by Capital and Related Financing Activities	(429)	(491)	-	(13)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	-	-	-	-	-
Interest and dividends from investments	7	9	10	3	545
Change in cash collateral received from securities lending transactions	-	-	-	-	912
Other (payments)	-	-	(1)	-	(42)
Net Cash Provided by Investing Activities	7	9	9	3	1,415
Net Increase (Decrease) in Cash and Cash Equivalents	1,818	2,144	874	517	5,787
Cash and Cash Equivalents - Beginning	3,348	1,775	773	1,372	66,819
Cash and Cash Equivalents - Ending	$ 5,166	$ 3,919	$ 1,647	$ 1,889	$ 72,606
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	$ 1,629	$ 2,859	$ 879	$ (41)	$ 70
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	123	523	39	772	-
Net changes in assets and liabilities:					
(Increase) decrease in receivables, net of allowances	507	337	39	(39)	4,301
Decrease in due from U.S. Government	469	-	-	-	-
(Increase) decrease in inventories, at cost	(18)	(315)	41	-	-
(Increase) decrease in other assets	(54)	242	75	21	-
(Decrease) in accounts payable	(167)	(254)	(39)	(145)	-
Increase (decrease) in accrued liabilities	(68)	76	4	84	-
(Decrease) in deferred revenue	-	(555)	(108)	-	-
Increase (decrease) in other liabilities	7	41	6	(6)	1
Net Cash Provided by Operating Activities	$ 2,428	$ 2,954	$ 936	$ 646	$ 4,372

HEALTHCARE GROUP OF ARIZONA	OTHER	TOTAL
$ 37,749	$ 16,620	$ 122,512
-	-	1,200
-	-	4,381
(36,475)	(4,732)	(75,856)
(1,263)	(10,951)	(38,629)
-	78	(1,246)
11	1,015	12,362
-	-	1,701
(453)	-	(2,076)
179	-	(605)
(274)	-	(980)
-	(18)	(827)
-	-	(25)
-	-	(99)
-	(18)	(951)
-	104	104
50	7	631
-	-	912
-	-	(43)
50	111	1,604
(213)	1,108	12,035
9,154	1,880	85,121
$ 8,941	$ 2,988	$ 97,156
$ 4,920	$ 442	$ 10,758
16	356	1,829
-	230	5,375
-	-	469
-	-	(292)
-	-	284
(44)	(41)	(690)
(4,176)	28	(4,052)
(679)	-	(1,342)
(26)	-	23
$ 11	$ 1,015	$ 12,362


GREAT SEAL OF THE STATE OF ARIZONA
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INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods and services provided by one State department or agency to other State departments or agencies on a cost-reimbursement basis.

The Risk Management Fund provides insurance coverage to all State agencies using an optimal combination of self-insurance and private excess insurance. It includes the Workers' Compensation section that receives monies from State agencies and uses these monies to pay for insurance and risk management services including loss control services and self-insured liability losses.

The Transportation Equipment Fund administers the purchase, storage and distribution of supplies, equipment and furniture for other Department of Transportation Funds.

The Employee Benefits Fund (HITF) administers the State's benefits program available to State employees and retirees.

The Telecommunication Fund receives monies from State agencies for services related to administering the State's contracts for the installation and maintenance of telecommunications equipment through the Telecommunications Program Office.

The Technology Fund receives monies from State agencies for services related to the implementation and operation of automation programs throughout the State.

The Retiree Sick Leave Fund accounts for monies paid out to retirees for their accumulated sick leave.

The Motor Pool Fund receives monies from State agencies for the use of State vehicles and uses these monies for operation of the State Motor Pool.

STATE OF ARIZONA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2011
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TELE-COMMUNICATION	TECHNOLOGY
ASSETS					
Current Assets:					
Cash and pooled investments with State Treasurer	$ 61,178	$ 1,626	$ 223,580	$ 690	$ 4,551
Receivables, net of allowances:					
Other	60	-	7,976	343	1,013
Due from U.S. Government	-	-	2,977	-	-
Due from other Funds	1	-	-	-	1,464
Inventories, at cost	-	3,278	-	-	-
Other current assets	3,586	-	-	-	2,049
Total Current Assets	64,825	4,904	234,533	1,033	9,077
Noncurrent Assets:					
Capital assets:					
Buildings, equipment, and other depreciable, net of accumulated depreciation	53	42,433	5	2,805	4,387
Total Noncurrent Assets	53	42,433	5	2,805	4,387
Total Assets	64,878	47,337	234,538	3,838	13,464
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	2,151	119	84,431	7	789
Accrued liabilities	235	602	140	48	422
Due to other Funds	256	132	1,086	-	2
Unearned deferred revenue	-	-	20	-	-
Current portion of accrued insurance losses	51,861	-	-	-	-
Current portion of other long-term liabilities	257	587	174	53	493
Total Current Liabilities	54,760	1,440	85,851	108	1,706
Noncurrent Liabilities:					
Accrued insurance losses	310,942	-	-	-	-
Other long-term liabilities	-	44	-	-	-
Total Noncurrent Liabilities	310,942	44	-	-	-
Total Liabilities	365,702	1,484	85,851	108	1,706
NET ASSETS					
Invested in capital assets, net of related debt	53	42,433	5	2,805	4,387
Unrestricted (deficit)	(300,877)	3,420	148,682	925	7,371
Total Net Assets	$ (300,824)	$ 45,853	$ 148,687	$ 3,730	$ 11,758

RETIREE SICK LEAVE	MOTOR POOL	TOTAL
$ 2,852	$ 1,191	$ 295,668
-	561	9,953
-	-	2,977
-	511	1,976
-	39	3,317
-	9	5,644
2,852	2,311	319,535
-	9,252	58,935
-	9,252	58,935
2,852	11,563	378,470
-	570	88,067
-	37	1,484
-	-	1,476
-	-	20
-	-	51,861
7,568	32	9,164
7,568	639	152,072
-	-	310,942
119,458	-	119,502
119,458	-	430,444
127,026	639	582,516
-	9,252	58,935
(124,174)	1,672	(262,981)
$ (124,174)	$ 10,924	$ (204,046)

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

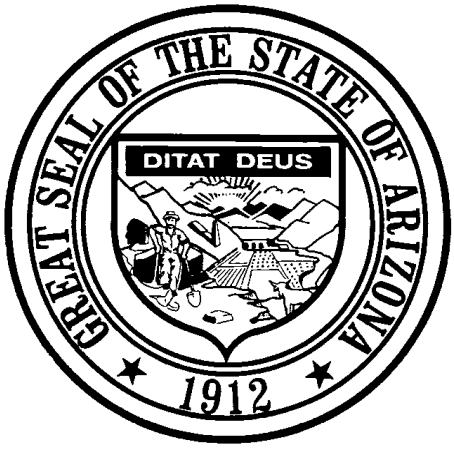
	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TELE-COMMUNICATION	TECHNOLOGY
OPERATING REVENUES					
Sales and charges for services	$ 103,547	$ 24,420	$ 790,145	$ 6,500	$ 21,447
Other	-	96	27	169	-
Total Operating Revenues	103,547	24,516	790,172	6,669	21,447
OPERATING EXPENSES					
Cost of sales and benefits	-	12,615	668,430	3	5,609
Personal services	4,966	11,092	2,435	617	8,013
Contractual services	29,893	46	1,095	439	972
Depreciation and amortization	28	7,558	7	1,345	1,671
Insurance	33,852	-	265	12	237
Other	506	983	650	325	1,596
Total Operating Expenses	69,245	32,294	672,882	2,741	18,098
Operating Income (Loss)	34,302	(7,778)	117,290	3,928	3,349
NON-OPERATING REVENUES (EXPENSES)					
Gain on sale of capital assets	-	35	-	-	8
Investment income	-	20	-	-	-
Other non-operating revenue	-	138	-	-	-
Interest expense	-	(1)	-	-	-
Total Non-Operating Revenues (Expenses)	-	192	-	-	8
Income (Loss) Before Contributions and Transfers	34,302	(7,586)	117,290	3,928	3,357
Capital grants and contributions	-	7,895	-	-	-
Transfers in	-	2,400	-	1,090	-
Transfers out	(14,340)	(1,344)	(593)	(6,380)	(1,124)
Change in Net Assets	19,962	1,365	116,697	(1,362)	2,233
Total Net Assets - Beginning, as restated	(320,786)	44,488	31,990	5,092	9,525
Total Net Assets - Ending	$ (300,824)	$ 45,853	$ 148,687	$ 3,730	$ 11,758

RETIREE SICK LEAVE	MOTOR POOL	TOTAL
$ 11,928	$ 8,897	$ 966,884
-	-	292
11,928	8,897	967,176
30,713	5,170	722,540
62	693	27,878
3	51	32,499
-	2,243	12,852
2	1,059	35,427
-	531	4,591
30,780	9,747	835,787
(18,852)	(850)	131,389
-	66	109
-	-	20
-	22	160
-	-	(1)
-	88	288
(18,852)	(762)	131,677
-	572	8,467
-	-	3,490
-	(2,235)	(26,016)
(18,852)	(2,425)	117,618
(105,322)	13,349	(321,664)
$ (124,174)	$ 10,924	$ (204,046)

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TELE-COMMUNICATION
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services / premiums	$ 103,548	$ 24,548	$ 789,953	$ 6,498
Payments to suppliers or insurance companies	(76,699)	(14,172)	(666,815)	(854)
Payments to employees	(4,977)	(11,093)	(2,372)	(578)
Payments to retirees	-	-	-	-
Other receipts	-	96	-	169
Net Cash Provided (Used) by Operating Activities	21,872	(621)	120,766	5,235
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers from other Funds	-	2,400	-	1,090
Transfers to other Funds	(14,340)	(1,344)	(593)	(6,380)
Other receipts	-	-	-	-
Net Cash Provided (Used) by Non-capital Financing Activities	(14,340)	1,056	(593)	(5,290)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of capital assets	-	120	-	-
Acquisition and construction of capital assets	-	(127)	-	-
Other receipts	-	138	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	131	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends from investments	-	19	-	-
Net Cash Provided by Investing Activities	-	19	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	7,532	585	120,173	(55)
Cash and Cash Equivalents - Beginning, as restated	53,646	1,041	103,407	745
Cash and Cash Equivalents - Ending	$ 61,178	$ 1,626	$ 223,580	$ 690
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ 34,302	$ (7,778)	$ 117,290	$ 3,928
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	28	7,558	7	1,345
Net changes in assets and liabilities:				
(Increase) decrease in receivables, net of allowances	-	-	(2,103)	(2)
Decrease in due from U.S. Government	-	-	723	-
(Increase) decrease in due from other Funds	1	-	1,142	-
(Increase) in inventories, at cost	-	(671)	-	-
(Increase) decrease in other assets	38	-	-	-
Increase (decrease) in accounts payable	(1,633)	112	3,687	(75)
Increase (decrease) in accrued liabilities	(10)	35	31	21
Increase (decrease) in due to other Funds	61	128	(63)	-
Increase in deferred revenues	-	-	20	-
(Decrease) in accrued insurance losses	(10,914)	-	-	-
Increase (decrease) in other liabilities	(1)	(5)	32	18
Net Cash Provided (Used) by Operating Activities	$ 21,872	$ (621)	$ 120,766	$ 5,235
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES				
Contribution of capital assets from other Funds	$ -	$ 7,895	$ -	$ -
Total Noncash Investing, Capital and Non-capital Financing Activities	$ -	$ 7,895	$ -	$ -

TECHNOLOGY	RETIREE SICK LEAVE	MOTOR POOL	TOTAL
$ 21,328	$ 11,928	$ 9,008	$ 966,811
(8,652)	(5)	(6,808)	(774,005)
(7,992)	(62)	(693)	(27,767)
-	(14,548)	-	(14,548)
-	-	-	265
4,684	(2,687)	1,507	150,756
-	-	-	3,490
(1,124)	-	(2,235)	(26,016)
-	-	22	22
(1,124)	-	(2,213)	(22,504)
-	-	325	445
(353)	-	(1,425)	(1,905)
-	-	-	138
(353)	-	(1,100)	(1,322)
-	-	-	19
-	-	-	19
3,207	(2,687)	(1,806)	126,949
1,344	5,539	2,997	168,719
$ 4,551	$ 2,852	$ 1,191	$ 295,668
$ 3,349	$ (18,852)	$ (850)	$ 131,389
1,671	-	2,243	12,852
24	-	(28)	(2,109)
-	-	-	723
(143)	-	139	1,139
-	-	(21)	(692)
(658)	-	-	(620)
451	-	24	2,566
(1)	-	2	78
(31)	-	-	95
-	-	-	20
-	-	-	(10,914)
22	16,165	(2)	16,229
$ 4,684	$ (2,687)	$ 1,507	$ 150,756
$ -	$ -	$ 572	$ 8,467
$ -	$ -	$ 572	$ 8,467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PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

Pension Trust Funds account for transactions of the four public employee retirement systems for which the State acts as trustee.

The Arizona State Retirement System (ASRS) is a cost-sharing, multiple-employer pension system that benefits employees of public schools, the State and its political subdivisions.

The Public Safety Personnel Retirement System (PSPRS) is an agent multiple-employer pension system that benefits fire fighters and police officers employed by the State and its political subdivisions.

The Elected Officials' Retirement Plan (EORP) is a cost-sharing, multiple-employer pension plan that benefits all elected State and county officials and judges and certain elected city officials.

The Corrections Officer Retirement Plan (CORP) is an agent multiple-employer pension plan that benefits town, city and county detention officers and certain employees of the State's Department of Corrections and Department of Juvenile Corrections.

Other Employee Benefit Trust Funds account for health insurance premium subsidies and long-term disability benefits paid by the ASRS to State employees and employees of other governmental entities participating in the plans.

The Health Benefit Supplement Fund is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

The Long-Term Disability Fund is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for long term disability benefits to eligible participants.

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
JUNE 30, 2011
(Expressed in Thousands)

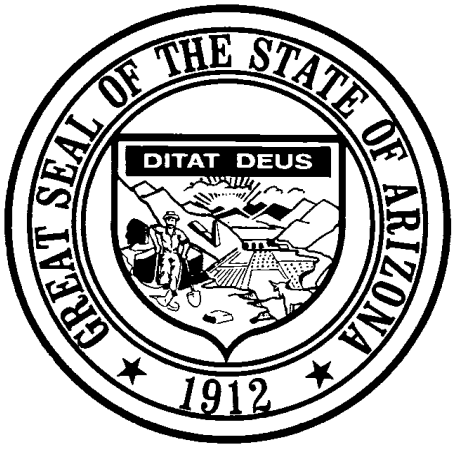
	PENSION TRUST FUNDS			
	ASRS	PSPRS	EORP	CORP
ASSETS				
Cash	$ 5,494	$ 133,230	$ 7,253	$ 29,169
Receivables, net of allowances:				
Accrued interest and dividends	61,736	5,883	355	1,479
Securities sold	131,158	1,348	81	339
Forward contracts receivable	810,087	-	-	-
Contributions	41,003	15,409	484	3,781
Court fees	-	-	807	-
Due from other Funds	-	-	-	-
Miscellaneous receivables	6,726	2,423	957	22
Total receivables	1,050,710	25,063	2,684	5,621
Investments, at fair value:				
Temporary investments	2,229,908	-	-	-
U.S. Government securities	3,626,318	42,542	2,569	10,694
Corporate bonds	2,072,764	917,146	55,392	230,536
Corporate stocks	16,873,536	1,826,771	110,329	459,183
Global tactical asset allocation	-	468,064	28,269	117,654
Real estate	1,114,341	551,102	33,320	138,132
Private equity	786,764	410,712	24,805	103,238
Opportunistic investments	363,430	461,255	27,858	115,942
Collateral investment pool	843,461	358,848	21,673	90,201
Other investments	776	411,134	24,832	103,343
Total investments	27,911,298	5,447,574	329,047	1,368,923
Property and equipment, net of accumulated depreciation	-	3,805	290	647
Total Assets	28,967,502	5,609,672	339,274	1,404,360
LIABILITIES				
Accounts payable and other current liabilitites	33,622	256	535	1,834
Payable for securities purchased	449,971	33,925	2,049	8,527
Obligation under securities loan agreements	843,461	358,848	21,673	90,201
Forward contracts payable	793,014	-	-	-
Due to other Funds	8,211	-	-	-
Total Liabilities	2,128,279	393,029	24,257	100,562
NET ASSETS				
Held in Trust for:				
Pension benefits	26,839,223	5,216,643	315,017	1,303,798
Other post-employment benefits	-	-	-	-
Total Net Assets	$ 26,839,223	$ 5,216,643	$ 315,017	$ 1,303,798

	OTHER EMPLOYEE BENEFIT TRUST FUNDS		
	HEALTH BENEFIT SUPPLEMENT FUND	LONG-TERM DISABILITY FUND	TOTAL
	$ 211	$ -	$ 175,357
	2,740	-	72,193
	5,821	-	138,747
	35,951	-	846,038
	1,309	1,108	63,094
	-	-	807
	6,039	2,173	8,212
	125	3,090	13,343
	51,985	6,371	1,142,434
	96,569	2,638	2,329,115
	161,077	-	3,843,200
	95,347	-	3,371,185
	745,809	272,096	20,287,724
	-	-	613,987
	48,814	-	1,885,709
	35,338	-	1,360,857
	16,194	-	984,679
	37,432	-	1,351,615
	34	-	540,119
	1,236,614	274,734	36,568,190
	-	-	4,742
	1,288,810	281,105	37,890,723
	1,487	249	37,983
	19,969	-	514,441
	37,432	-	1,351,615
	35,193	-	828,207
	-	1	8,212
	94,081	250	2,740,458
	-	-	33,674,681
	1,194,729	280,855	1,475,584
	$ 1,194,729	$ 280,855	$ 35,150,265

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	PENSION TRUST FUNDS			
	ASRS	PSPRS	EORP	CORP
ADDITIONS:				
Member contributions	$ 833,287	$ 99,262	$ 4,717	$ 50,891
Employer contributions	786,662	272,446	11,120	49,304
Member purchase of service credit	64,385	20,936	1,452	777
Court fees	-	-	9,896	-
Investment income:				
Net increase in fair value of investments	4,629,673	722,918	43,885	176,937
Interest income	207,282	11,705	701	2,840
Dividends	265,894	47,559	2,875	11,708
Other investment income	412,853	21,719	1,700	5,340
Securities lending income	14,909	2,806	170	692
Total investment income	5,530,611	806,707	49,331	197,517
Less investment expenses:				
Investment activity expenses	122,171	17,023	1,031	4,201
Security lending expenses	1,726	421	25	104
Net investment income	5,406,714	789,263	48,275	193,212
Other additions	6,427	305	248	242
Total Additions	7,097,475	1,182,212	75,708	294,426
DEDUCTIONS:				
Retirement, disability, and survivor benefits	2,190,728	534,387	39,666	76,359
Refunds to withdrawing members, including interest	180,719	11,976	217	24,928
Administrative expense	27,286	4,776	324	1,185
Other deductions	6,479	293	28	945
Total Deductions	2,405,212	551,432	40,235	103,417
Change in net assets held in trust for:				
Pension benefits	4,692,263	630,780	35,473	191,009
Other post-employment benefits	-	-	-	-
Net Assets - Beginning	22,146,960	4,585,863	279,544	1,112,789
Net Assets - Ending	$ 26,839,223	$ 5,216,643	$ 315,017	$ 1,303,798

	OTHER EMPLOYEE BENEFIT TRUST FUNDS		
	HEALTH BENEFIT SUPPLEMENT FUND	LONG-TERM DISABILITY FUND	TOTAL
$	-	$ 21,689	$ 1,009,846
	51,048	21,689	1,192,269
	-	-	87,550
	-	-	9,896
	206,321	57,388	5,837,122
	9,248	5	231,781
	11,868	-	339,904
	18,428	-	460,040
	667	-	19,244
	246,532	57,393	6,888,091
	5,461	649	150,536
	77	-	2,353
	240,994	56,744	6,735,202
	-	-	7,222
	292,042	100,122	9,041,985
	91,699	66,124	2,998,963
	-	-	217,840
	1,209	2,676	37,456
	-	846	8,591
	92,908	69,646	3,262,850
	-	-	5,549,525
	199,134	30,476	229,610
	995,595	250,379	29,371,130
$	1,194,729	$ 280,855	$ 35,150,265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INVESTMENT TRUST FUNDS

Investment Trust Funds account for assets held by the State Treasurer in a trustee capacity for local governments and political subdivisions of the State of Arizona which have elected to invest cash with the State Treasurer's Office.

Central Arizona Water Conservation District is an Investment Trust Account composed of corporate debt, money market mutual funds, and United States Government securities. The Central Arizona Water Conservation District is the only participant in the account.

Local Government Investment Pool is an Investment Trust Account composed of corporate debt, money market mutual funds, certificates of deposit, repurchase agreements, and United States Government securities.

Local Government Investment Pool – Medium-Term is an Investment Trust Account for participants who want to invest their monies for a longer time period composed of corporate notes, money market mutual funds, certificates of deposit, repurchase agreements, and United States Government securities.

Local Government Investment Pool – FF&C is an Investment Trust Account composed of corporate notes, repurchase agreements, and United States Government securities. All investments of the fund are backed by the full faith and credit of the United States Government.

Local Government Investment Pool – Medium-Term FF&C is an Investment Trust Account for participants who want to invest their monies for a longer time period composed of corporate notes, money market mutual funds, certificates of deposit, repurchase agreements, and United States Government securities. All investments of the fund are backed by the full faith and credit of the United States Government.

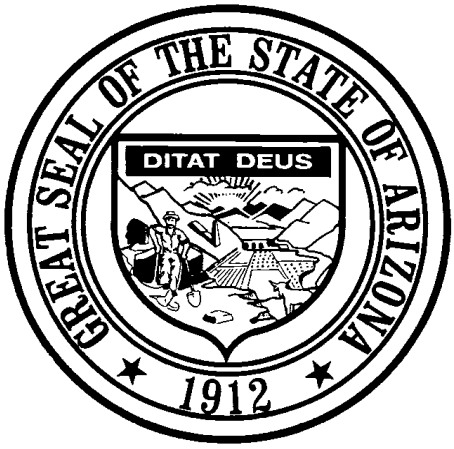
Lehman Brothers Pool is an Investment Trust Account composed of the Local Government Investment Pool's share of the Lehman Brothers bond value that was transferred to this pool due to Lehman Brothers filing for Chapter 11 bankruptcy. The transfer was made to provide for the decline in fair value of the Lehman Brothers securities held by the Local Government Investment Pool.

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
INVESTMENT TRUST FUNDS
JUNE 30, 2011
(Expressed in Thousands)

	CENTRAL ARIZONA WATER CONSERVATION DISTRICT	LOCAL GOVERNMENT INVESTMENT POOL	LOCAL GOVERNMENT INVESTMENT POOL-MEDIUM-TERM	LOCAL GOVERNMENT INVESTMENT POOL-FF&C	LOCAL GOVERNMENT INVESTMENT POOL-MEDIUM-TERM FF&C	LEHMAN BROTHERS POOL	TOTAL
ASSETS							
Receivables, net of allowances:							
Accrued interest and dividends	$ 1,585	$ 317	$ 538	$ 1,815	$ 255	$ -	$ 4,510
Total receivables	1,585	317	538	1,815	255	-	4,510
Investments, at fair value:							
U.S. Government securities	120,583	203,670	68,839	624,640	41,288	-	1,059,020
Corporate bonds	15,438	3,650	-	-	-	-	19,088
Corporate notes	130,409	573,973	58,118	47,378	16,492	8,383	834,753
Collateral investment pool	6,762	-	12,824	13,156	-	-	32,742
Repurchase agreements	-	541,758	9,501	1,094,398	15,106	-	1,660,763
FDIC certificates of deposit	-	48,046	-	-	6,078	-	54,124
Negotiable certificates of deposit	-	46,461	1,330	-	-	-	47,791
Money market mutual funds	7,281	9,336	2,409	-	118	-	19,144
Total investments	280,473	1,426,894	153,021	1,779,572	79,082	8,383	3,727,425
Total Assets	282,058	1,427,211	153,559	1,781,387	79,337	8,383	3,731,935
LIABILITIES							
Management fee payable	13	80	7	96	4	-	200
Obligations under securities loan agreements	6,762	-	12,824	13,156	-	-	32,742
Due to local governments	-	-	200	-	86		286
Payable for securities purchased	-	9,337	341	-	-	-	9,678
Total Liabilities	6,775	9,417	13,372	13,252	90	-	42,906
NET ASSETS							
Held in trust for pool participants	$ 275,283	$ 1,417,794	$ 140,187	$ 1,768,135	$ 79,247	$ 8,383	$ 3,689,029
Net assets consist of:							
Participant shares outstanding	270,820	1,417,794	135,462	1,768,135	78,464	32,534	3,703,209
Participants' net asset value (net assets/shares outstanding)	$ 1.02	$ 1.00	$ 1.03	$ 1.00	$ 1.01	$ 0.26	

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
INVESTMENT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	CENTRAL ARIZONA WATER CONSERVATION DISTRICT	LOCAL GOVERNMENT INVESTMENT POOL	LOCAL GOVERNMENT INVESTMENT POOL-MEDIUM-TERM	LOCAL GOVERNMENT INVESTMENT POOL-FF&C	LOCAL GOVERNMENT INVESTMENT POOL-MEDIUM-TERM FF&C	LEHMAN BROTHERS POOL	TOTAL
ADDITIONS:							
Investment income:							
Net increase (decrease) in fair value of investments	$ 747	$ 408	$ (519)	$ 132	$ 42	$ 2,035	$ 2,845
Interest income	4,692	4,016	2,810	3,266	1,415	-	16,199
Securities lending income	30	77	27	177	-	-	311
Total investment income	5,469	4,501	2,318	3,575	1,457	2,035	19,355
Less: Investment activity expenses							
Investment activity expenses	118	925	83	1,149	58	-	2,333
Securities lending expenses	30	77	27	177	-	-	311
Net investment income	5,321	3,499	2,208	2,249	1,399	2,035	16,711
Capital share and individual account transactions:							
Shares sold	146,839	2,224,260	65,191	2,078,849	17,621	-	4,532,760
Reinvested interest income	4,391	3,091	2,235	2,119	1,184	-	13,020
Shares redeemed	(12,254)	(2,441,587)	(39,319)	(2,448,792)	(54,752)	-	(4,996,704)
Net capital share and individual account transactions	138,976	(214,236)	28,107	(367,824)	(35,947)	-	(450,924)
Total Additions	144,297	(210,737)	30,315	(365,575)	(34,548)	2,035	(434,213)
DEDUCTIONS:							
Dividends to investors	5,321	3,499	2,208	2,249	1,399	-	14,676
Total Deductions	5,321	3,499	2,208	2,249	1,399	-	14,676
Change in net assets held in trust for pool participants	138,976	(214,236)	28,107	(367,824)	(35,947)	2,035	(448,889)
Net Assets - Beginning	136,307	1,632,030	112,080	2,135,959	115,194	6,348	4,137,918
Net Assets - Ending	$ 275,283	$ 1,417,794	$ 140,187	$ 1,768,135	$ 79,247	$ 8,383	$ 3,689,029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AGENCY FUNDS

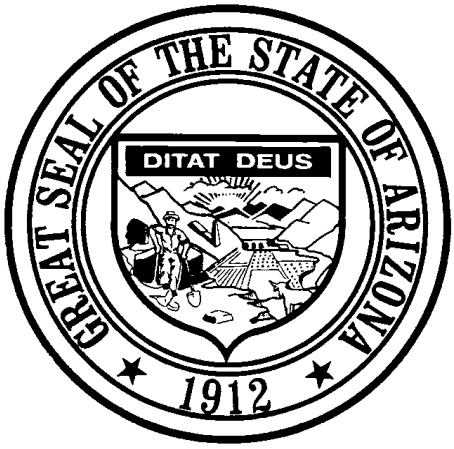
Agency Funds account for the receipt and disbursement of various taxes, deposits, deductions, property collected by the State, and payment of the health insurance subsidy by the PSPRS, the EORP, and the CORP, where the State acts as an agent for distribution to other governmental units or organizations.

The Treasurer Custodial Securities Fund consists of securities held by the State Treasurer for various State agencies as required by statute.

The Other Treasurer Funds account for other various deposits that are required to be made by other governmental units or organizations with the State Treasurer.

The Health Insurance Subsidy Fund accounts for other post-employment benefit payments of the health insurance subsidy by the PSPRS, the EORP, and the CORP for eligible retired and disabled members.

The Other Funds consist of various funds where the State acts as an agent for distribution to other governmental units or organizations.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STATE OF ARIZONA
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2011
(Expressed in Thousands)

	TREASURER CUSTODIAL SECURITIES FUND	OTHER TREASURER FUNDS	OTHER FUNDS	TOTAL
ASSETS				
Cash	$ -	$ -	$ 22,649	$ 22,649
Cash and pooled investments with State Treasurer	-	13,945	188,673	202,618
Short-term investments	-	-	3,136	3,136
Receivables, net of allowances:				
Accrued interest	-	-	1	1
Due from others	-	-	81,018	81,018
Custodial securities in safekeeping	3,578,443	-	68,669	3,647,112
Other assets	-	-	3,803	3,803
Total Assets	$ 3,578,443	$ 13,945	$ 367,949	$ 3,960,337
LIABILITIES				
Due to local governments	$ -	$ 47	$ 136,500	$ 136,547
Due to others	3,578,443	13,898	231,449	3,823,790
Total Liabilities	$ 3,578,443	$ 13,945	$ 367,949	$ 3,960,337

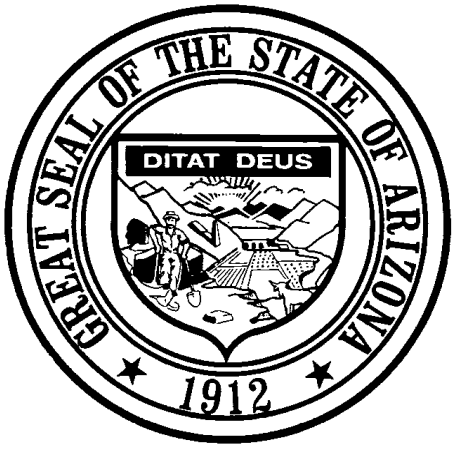
STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	BALANCE JULY 1, 2010	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2011
TREASURER CUSTODIAL SECURITIES FUND				
Assets:				
Custodial securities in safekeeping	$ 3,563,316	$ 10,433,877	$ 10,418,750	$ 3,578,443
Total Assets	$ 3,563,316	$ 10,433,877	$ 10,418,750	$ 3,578,443
Liabilities:				
Due to others	$ 3,563,316	$ 10,433,877	$ 10,418,750	$ 3,578,443
Total Liabilities	$ 3,563,316	$ 10,433,877	$ 10,418,750	$ 3,578,443
OTHER TREASURER FUNDS				
Assets:				
Cash and pooled investments with State Treasurer	$ 18,130	$ 206,850	$ 211,035	$ 13,945
Total Assets	$ 18,130	$ 206,850	$ 211,035	$ 13,945
Liabilities:				
Due to local governments	$ 5,367	$ 158,931	$ 164,251	$ 47
Due to others	12,763	42,081	40,946	13,898
Total Liabilities	$ 18,130	$ 201,012	$ 205,197	$ 13,945
HEALTH INSURANCE SUBSIDY FUND				
Assets:				
Cash	$ -	$ 17,026	$ 17,026	$ -
Total Assets	$ -	$ 17,026	$ 17,026	$ -
Liabilities:				
Benefits payable	$ -	$ 17,026	$ 17,026	$ -
Total Liabilities	$ -	$ 17,026	$ 17,026	$ -

(Continued)

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	BALANCE JULY 1, 2010	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2011
OTHER FUNDS				
Assets:				
Cash	$ 36,578	$ 734,210	$ 748,139	$ 22,649
Cash and pooled investments with State Treasurer	174,601	4,666,397	4,652,325	188,673
Short-term investments	3,552	3,136	3,552	3,136
Receivables, net of allowances:				
Accrued interest	1	-	-	1
Due from others	82,351	81,018	82,351	81,018
Custodial securities in safekeeping	65,576	68,669	65,576	68,669
Other assets	5,125	3,803	5,125	3,803
Total Assets	$ 367,784	$ 5,557,233	$ 5,557,068	$ 367,949
Liabilities:				
Due to local governments	$ 124,099	$ 6,616,275	$ 6,603,874	$ 136,500
Due to others	243,685	1,113,522	1,125,758	231,449
Total Liabilities	$ 367,784	$ 7,729,797	$ 7,729,632	$ 367,949
COMBINED TOTAL ALL AGENCY FUNDS				
Assets:				
Cash	$ 36,578	$ 751,236	$ 765,165	$ 22,649
Cash and pooled investments with State Treasurer	192,731	4,873,247	4,863,360	202,618
Short-term investments	3,552	3,136	3,552	3,136
Receivables, net of allowances:				
Accrued interest	1	-	-	1
Due from others	82,351	81,018	82,351	81,018
Custodial securities in safekeeping	3,628,892	10,502,546	10,484,326	3,647,112
Other assets	5,125	3,803	5,125	3,803
Total Assets	$ 3,949,230	$ 16,214,986	$ 16,203,879	$ 3,960,337
Liabilities:				
Benefits payable	$ -	$ 17,026	$ 17,026	$ -
Due to local governments	129,466	6,775,206	6,768,125	136,547
Due to others	3,819,764	11,589,480	11,585,454	3,823,790
Total Liabilities	$ 3,949,230	$ 18,381,712	$ 18,370,605	$ 3,960,337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NON-MAJOR
UNIVERSITIES – AFFILIATED COMPONENT UNITS

Component units affiliated with the Universities are legally separate, tax-exempt organizations controlled by separate Boards of Directors that meet the criteria established in GASB 39, with the exception of the Collegiate Golf Foundation, University Public Schools, Inc. (UPSI), and University of Arizona Campus Research Corporation (CRC). The Collegiate Golf Foundation is included because it is a legally separate organization that the State believes would be misleading to exclude due to its financial relationship to the State. The UPSI is included because it is a legally separate, tax-exempt organization that the State believes would be misleading to exclude due to its close affiliation with the State. The CRC is included because the U of A approves the budget; thus fiscal dependency exists.

The Northern Arizona University Foundation receives gifts and bequests, administers and invests securities and property, and disburses payments to and on behalf of the NAU for advancement of its mission.

The Northern Arizona Capital Facilities Finance Corporation was established for the purpose of acquiring, developing, constructing, maintaining and operating student housing and other capital facilities and equipment for the use and benefit of the NAU's students.

Mesa Student Housing, LLC provides facilities for use by students of the ASU.

Sun Angel Foundation receives funds primarily through donations, and contributes funds to the ASU for support of various athletic programs.

Sun Angel Endowment receives funds primarily through donations, with the annual earnings being used for support of various athletic programs at ASU.

The Collegiate Golf Foundation operates an ASU-owned golf course.

Arizona State University Research Park, Inc. manages a research park to promote and support research activities in coordination with the ASU.

The Arizona State University Alumni Association receives funds primarily through donations, dues, and affinity partners and contributes funds to the ASU for support of various programs.

Downtown Phoenix Student Housing, LLC provides facilities for use by students of the ASU.

University Public Schools, Inc. operates four public schools designed to be on the forefront of education innovation and improvement, with the goal of developing educational models that can be scaled across the State and nation to improve the academic achievement of children.

The University of Arizona Law College Association (Law Association) was established to provide support and financial assistance to the College of Law at the U of A. The Law Association funds provide support to the College on many levels, from endowed student scholarships to named faculty professorships.

The University of Arizona Campus Research Corporation was established to assist the U of A in the acquisition, improvement, and operation of the U of A Science and Technology Park and related properties.

The University of Arizona Alumni Association was established to serve the U of A and its graduates, former students, and friends by attracting, organizing and encouraging them to advance the U of A's missions - teaching, research, and public service.

STATE OF ARIZONA
COMBINING STATEMENT OF FINANCIAL POSITION
NON-MAJOR UNIVERSITIES - AFFILIATED COMPONENT UNITS
JUNE 30, 2011
(Expressed in Thousands)

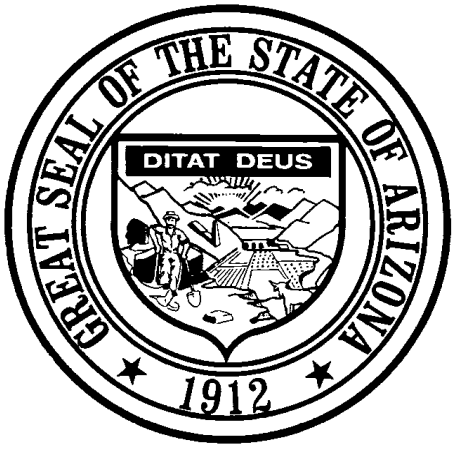
	NORTHERN ARIZONA UNIVERSITY FOUNDATION	NORTHERN ARIZONA CAPITAL FACILITIES FINANCE CORP.	MESA STUDENT HOUSING	SUN ANGEL FOUNDATION	SUN ANGEL ENDOWMENT	COLLEGIATE GOLF FOUNDATION
ASSETS						
Cash and cash equivalent investments	$ 2,502	$ 12	$ 745	$ 2,174	$ 426	$ 162
Receivables:						
Pledges receivable	6,757	-	-	6,802	-	-
Other receivables	179	182	813	219	-	42
Total receivables	6,936	182	813	7,021	-	42
Investments:						
Investments in securities	90,646	-	4,168	-	8,259	-
Other investments	3,255	-	-	-	1,196	-
Total investments	93,901	-	4,168	-	9,455	-
Net direct financing leases	3,163	46,925	-	-	-	-
Property and equipment, net of accumulated depreciation	18	-	12,210	24	-	61
Licenses	5,129	-	-	-	-	-
Other assets	4,780	1,374	452	324	29	188
Total Assets	116,429	48,493	18,388	9,543	9,910	453
LIABILITIES						
Accounts payable and accrued liabilities	197	179	1,095	207	29	492
Liability under endowment trust agreements	19,193	-	-	-	-	-
Long term debt	-	46,894	18,166	-	-	-
Deferred revenue	5,430	22	282	14	-	97
Other liabilities	1,295	-	-	99	4,000	-
Total Liabilities	26,115	47,095	19,543	320	4,029	589
NET ASSETS						
Permanently restricted	39,227	-	-	-	1,842	-
Temporarily restricted	22,263	-	-	9,240	524	-
Unrestricted (deficit)	28,824	1,398	(1,155)	(17)	3,515	(136)
Total Net Assets	$ 90,314	$ 1,398	$ (1,155)	$ 9,223	$ 5,881	$ (136)

ARIZONA STATE UNIVERSITY RESEARCH PARK, INC.	ARIZONA STATE UNIVERSITY ALUMNI ASSOCIATION	DOWNTOWN PHOENIX STUDENT HOUSING	UNIVERSITY PUBLIC SCHOOLS	UNIVERSITY OF ARIZONA LAW COLLEGE ASSOCIATION	UNIVERSITY OF ARIZONA CAMPUS RESEARCH CORPORATION	UNIVERSITY OF ARIZONA ALUMNI ASSOCIATION	TOTAL
$ 1,596	$ 667	$ 536	$ 535	$ 2,345	$ 3,981	$ 2,198	$ 17,879
-	151	-	196	22,069	-	56	36,031
11,028	143	274	197	-	1,623	1,882	16,582
11,028	294	274	393	22,069	1,623	1,938	52,613
4,017	14,177	13,307	-	7,390	-	4,769	146,733
-	-	-	-	176	-	-	4,627
4,017	14,177	13,307	-	7,566	-	4,769	151,360
-	-	-	-	-	-	-	50,088
5,931	-	112,411	602	120	16,375	22	147,774
-	-	-	-	-	-	-	5,129
2,118	56	6,346	34	7	6,991	42	22,741
24,690	15,194	132,874	1,564	32,107	28,970	8,969	447,584
24	114	10,539	644	16	759	111	14,406
-	-	-	-	-	-	-	19,193
9,445	-	141,343	-	-	10,467	20	226,335
13,112	549	37	-	-	3,588	3,503	26,634
1,391	20	-	540	723	935	-	9,003
23,972	683	151,919	1,184	739	15,749	3,634	295,571
-	-	-	-	4,277	-	-	45,346
-	327	-	196	25,914	-	-	58,464
718	14,184	(19,045)	184	1,177	13,221	5,335	48,203
$ 718	$ 14,511	$ (19,045)	$ 380	$ 31,368	$ 13,221	$ 5,335	$ 152,013

STATE OF ARIZONA
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR UNIVERSITIES - AFFILIATED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	NORTHERN ARIZONA UNIVERSITY FOUNDATION	NORTHERN ARIZONA CAPITAL FACILITIES FINANCE CORP.	MESA STUDENT HOUSING	SUN ANGEL FOUNDATION	SUN ANGEL ENDOWMENT	COLLEGIATE GOLF FOUNDATION
REVENUES						
Contributions	$ 8,263	$ -	$ -	$ 8,462	$ -	$ -
Rental revenue	-	27	5,319	-	-	-
Sales and services	-	-	-	76	-	3,724
Net investment income	13,562	2,038	91	25	940	-
Licensing revenue	3,220	-	-	-	-	-
Other revenues	1,336	-	227	973	-	-
Total Revenues	26,381	2,065	5,637	9,536	940	3,724
EXPENSES						
Program services:						
Payments to Universities	-	-	99	10,556	-	123
Leasing related expenses	-	-	-	-	-	-
Payments on behalf of Universities	-	-	-	-	-	-
Other program services	6,899	-	-	-	-	-
Management and general expenses	452	28	3,730	1,562	177	3,655
Fundraising expenses	2,381	-	-	-	-	-
Interest	-	2,178	1,129	-	223	13
Depreciation and amortization	1,426	60	751	-	-	56
Other expenses	-	-	403	832	-	-
Total Expenses	11,158	2,266	6,112	12,950	400	3,847
Increase (Decrease) in Net Assets	15,223	(201)	(475)	(3,414)	540	(123)
Net Assets - Beginning	75,091	1,599	(680)	12,637	5,341	(13)
Net Assets - Ending	$ 90,314	$ 1,398	$ (1,155)	$ 9,223	$ 5,881	$ (136)

ARIZONA STATE UNIVERSITY RESEARCH PARK, INC.	ARIZONA STATE UNIVERSITY ALUMNI ASSOCIATION	DOWNTOWN PHOENIX STUDENT HOUSING	UNIVERSITY PUBLIC SCHOOLS	UNIVERSITY OF ARIZONA LAW COLLEGE ASSOCIATION	UNIVERSITY OF ARIZONA CAMPUS RESEARCH CORPORATION	UNIVERSITY OF ARIZONA ALUMNI ASSOCIATION	TOTAL
$ -	$ 2,273	$ -	$ 1,500	$ 806	$ -	$ 176	$ 21,480
5,596	-	8,798	-	-	11,997	-	31,737
-	3,221	-	384	-	-	916	8,321
22	2,482	122	-	1,093	7	575	20,957
-	-	-	-	-	-	-	3,220
70	53	182	6,790	34	623	2,603	12,891
5,688	8,029	9,102	8,674	1,933	12,627	4,270	98,606
1,891	-	-	-	-	-	-	12,669
-	-	-	-	-	8,936	-	8,936
-	-	-	-	1,640	-	2,632	4,272
-	-	-	-	-	-	-	6,899
1,156	5,642	2,715	8,430	57	863	604	29,071
-	-	-	-	41	-	104	2,526
417	-	7,269	-	-	-	-	11,229
453	-	5,150	-	-	-	-	7,896
150	136	700	-	5,500	-	-	7,721
4,067	5,778	15,834	8,430	7,238	9,799	3,340	91,219
1,621	2,251	(6,732)	244	(5,305)	2,828	930	7,387
(903)	12,260	(12,313)	136	36,673	10,393	4,405	144,626
$ 718	$ 14,511	$ (19,045)	$ 380	$ 31,368	$ 13,221	$ 5,335	$ 152,013


GREAT SEAL OF THE STATE OF ARIZONA
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STATISTICAL SECTION

(Not Covered by the Independent Auditors' Report)

STATISTICAL SECTION

STATISTICAL SECTION

This part of the State of Arizona's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

Financial Trends – **Schedules 1 thru 4** contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

Revenue Capacity – Schedules 5 thru 9 contain information to help the reader assess the State's most significant own-source revenues, the sales tax, and personal income tax.

Debt Capacity – Schedules 10 thru 21 present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

Demographic and Economic Information – Schedules 22 and 23 offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place and to help make comparisons over time and among other governments.

Operating Information – Schedules 24 thru 26 contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

STATE OF ARIZONA
SCHEDULE 1
NET ASSETS BY COMPONENT (1), (2)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	Fiscal Year				
	2011	2010	2009	2008	2007, as restated
GOVERNMENTAL ACTIVITIES:					
Invested in capital assets, net of related debt	$ 16,326,569	$ 15,738,121	$ 15,094,719	$ 14,530,867	$ 13,500,218
Restricted	5,125,527	4,648,280	3,990,594	4,987,365	4,734,039
Unrestricted	(4,243,824)	(4,155,346)	(2,984,628)	(1,105,246)	614,606
Total Governmental Activities Net Assets	$ 17,208,272	$ 16,231,055	$ 16,100,685	$ 18,412,986	$ 18,848,863
BUSINESS-TYPE ACTIVITIES:					
Invested in capital assets, net of related debt	$ 1,397,683	$ 1,352,658	$ 1,328,658	$ 1,387,655	$ 1,186,177
Restricted	501,437	550,102	1,085,399	1,581,212	1,575,991
Unrestricted	695,862	576,426	376,908	188,354	295,377
Total Business-type Activities Net Assets	$ 2,594,982	$ 2,479,186	$ 2,790,965	$ 3,157,221	$ 3,057,545
PRIMARY GOVERNMENT:					
Invested in capital assets, net of related debt	$ 17,724,252	$ 17,090,779	$ 16,423,377	$ 15,918,522	$ 14,686,395
Restricted	5,626,964	5,198,382	5,075,993	6,568,577	6,310,030
Unrestricted	(3,547,962)	(3,578,920)	(2,607,720)	(916,892)	909,983
Total Primary Government Net Assets	$ 19,803,254	$ 18,710,241	$ 18,891,650	$ 21,570,207	$ 21,906,408

(1) This schedule reports using the accrual basis of accounting.
(2) Beginning in fiscal year 2011, the presentation of this schedule has been changed to a more summarized format than previously presented in prior years. Fiscal years 2002 through 2010 reflect this change in presentation.

	Fiscal Year				
	2006, as restated	2005, as restated	2004, as restated	2003, as restated	2002, as restated
	$ 12,878,151	$ 11,825,961	$ 11,226,325	$ 10,690,782	$ 10,043,985
	3,560,868	2,938,288	2,100,575	2,071,313	2,124,499
	733,455	(463,515)	(684,492)	(799,587)	358,806
	$ 17,172,474	$ 14,300,734	$ 12,642,408	$ 11,962,508	$ 12,527,290
	$ 1,146,618	$ 1,172,613	$ 1,169,198	$ 1,153,428	$ 1,165,306
	1,400,455	1,232,016	1,190,250	1,291,003	1,473,311
	179,524	84,248	115,986	251,415	277,195
	$ 2,726,597	$ 2,488,877	$ 2,475,434	$ 2,695,846	$ 2,915,812
	$ 14,024,769	$ 12,998,574	$ 12,395,523	$ 11,844,210	$ 11,209,291
	4,961,323	4,170,304	3,290,825	3,362,316	3,597,810
	912,979	(379,267)	(568,506)	(548,172)	636,001
	$ 19,899,071	$ 16,789,611	$ 15,117,842	$ 14,658,354	$ 15,443,102

STATE OF ARIZONA
SCHEDULE 2
CHANGES IN NET ASSETS (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	Fiscal Year				
	2011	2010	2009	2008	2007, as restated
EXPENSES					
Governmental Activities:					
General government	$ 929,107	$ 941,813	$ 928,485	$ 982,382	$ 802,659
Health and welfare	12,558,119	13,090,357	12,055,439	10,884,297	9,789,699
Inspection and regulation	149,649	157,786	176,354	185,996	175,609
Education	5,467,543	5,706,667	6,084,342	6,242,173	5,984,196
Protection and safety	1,299,205	1,451,571	1,514,282	1,510,615	1,401,513
Transportation (2)	857,194	511,397	695,070	670,173	583,304
Natural resources	196,210	183,535	228,430	250,258	193,862
Intergovernmental revenue sharing	2,462,178	2,585,683	2,755,710	3,023,836	2,864,543
Interest on long-term debt	341,801	261,518	222,851	179,795	191,674
Total Governmental Activities Expenses	24,261,006	24,890,327	24,660,963	23,929,525	21,987,059
Business-type Activities:					
Universities	3,533,977	3,343,377	3,290,033	3,227,481	2,960,790
Unemployment Compensation	1,655,364	2,103,028	1,086,330	356,333	248,111
Industrial Commission Special Fund (3)	27,196	67,750	30,055	14,824	23,669
Lottery	439,069	432,150	395,950	372,740	363,508
Other	115,442	126,029	142,229	162,300	176,486
Total Business-type Activities Expenses	5,771,048	6,072,334	4,944,597	4,133,678	3,772,564
Total Primary Government Expenses	$ 30,032,054	$ 30,962,661	$ 29,605,560	$ 28,063,203	$ 25,759,623
PROGRAM REVENUES					
Governmental Activities:					
Charges for services:					
General government	$ 191,738	$ 208,316	$ 199,011	$ 190,374	$ 200,495
Inspection and regulation	149,890	143,329	153,642	159,857	158,022
Transportation (4)	114,453	123,372	138,520	149,560	158,019
Other activities	381,633	402,496	315,660	318,776	281,796
Operating grants and contributions (5)	12,580,013	13,735,263	10,620,642	9,190,910	8,536,030
Capital grants and contributions	745,559	576,027	553,198	523,898	354,255
Total Governmental Activities Program Revenues	14,163,286	15,188,803	11,980,673	10,533,375	9,688,617
Business-type Activities:					
Charges for services:					
Universities	1,601,077	1,432,055	1,272,694	1,167,696	1,069,339
Lottery	583,537	551,492	484,486	472,937	462,200
Other activities (6)	560,502	509,254	439,010	485,242	518,922
Operating grants and contributions (7)	2,212,673	2,260,071	1,243,697	898,441	883,373
Capital grants and contributions	14,799	12,563	14,710	38,029	27,981
Total Business-type Activities Program Revenues	4,972,588	4,765,435	3,454,597	3,062,345	2,961,815
Total Primary Government Program Revenues	$ 19,135,874	$ 19,954,238	$ 15,435,270	$ 13,595,720	$ 12,650,432
NET (EXPENSE) REVENUE					
Governmental activities	$ (10,097,720)	$ (9,701,524)	$ (12,680,290)	$ (13,396,150)	$ (12,298,442)
Business-type activities	(798,460)	(1,306,899)	(1,490,000)	(1,071,333)	(810,749)
Total Primary Government Net (Expense)	$ (10,896,180)	$ (11,008,423)	$ (14,170,290)	$ (14,467,483)	$ (13,109,191)

Fiscal Year					
2006, as restated	2005	2004, as restated	2003, as restated	2002, as restated	
$ 781,542	$ 646,452	$ 726,525	$ 694,173	$ 852,417	
9,057,733	8,494,206	7,717,148	6,848,087	5,960,399	
159,766	149,238	138,281	141,673	135,784	
5,304,555	4,853,458	4,703,685	4,795,566	4,277,635	
1,279,129	1,171,340	1,059,047	982,839	931,292	
386,777	589,966	731,522	598,375	411,108	
187,947	184,538	162,366	175,312	152,772	
2,658,636	2,335,828	2,144,438	2,159,691	2,190,160	
172,439	182,852	176,035	135,775	131,206	
19,988,524	18,607,878	17,559,047	16,531,491	15,042,773	
2,762,557	2,540,193	2,355,418	2,181,311	2,039,832	
226,171	292,127	397,657	455,685	406,406	
(18,300)	106,295	167,331	73,586	57,503	
377,104	317,226	303,996	263,321	239,648	
136,894	120,629	109,944	107,740	95,164	
3,484,426	3,376,470	3,334,346	3,081,643	2,838,553	
$ 23,472,950	$ 21,984,348	$ 20,893,393	$ 19,613,134	$ 17,881,326	
$ 161,664	$ 139,486	$ 140,791	$ 106,876	$ 120,514	
146,191	133,073	133,510	120,045	117,606	
134,068	88,296	114,097	112,466	112,725	
279,836	256,804	248,446	192,332	230,409	
7,941,223	7,544,370	6,981,748	5,940,007	4,996,539	
388,646	497,140	421,251	460,364	471,020	
9,051,628	8,659,169	8,039,843	6,932,090	6,048,813	
962,967	863,042	778,047	675,089	639,050	
468,697	397,561	366,582	322,267	294,848	
474,801	440,646	305,221	259,676	254,984	
852,788	834,421	836,076	810,549	737,170	
30,056	19,774	18,513	23,090	48,180	
2,789,309	2,555,444	2,304,439	2,090,671	1,974,232	
$ 11,840,937	$ 11,214,613	$ 10,344,282	$ 9,022,761	$ 8,023,045	
$ (10,936,896)	$ (9,948,709)	$ (9,519,204)	$ (9,599,401)	$ (8,993,960)	
(695,117)	(821,026)	(1,029,907)	(990,972)	(864,321)	
$ (11,632,013)	$ (10,769,735)	$ (10,549,111)	$ (10,590,373)	$ (9,858,281)	

(Continued)

STATE OF ARIZONA
SCHEDULE 2
CHANGES IN NET ASSETS (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	Fiscal Year				
	2011	2010	2009	2008	2007, as restated
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS					
Governmental Activities:					
Taxes:					
Sales	$ 5,942,250	$ 5,029,050	$ 5,442,563	$ 6,270,419	$ 6,537,584
Income	3,366,783	2,809,995	3,126,076	4,205,426	4,636,447
Tobacco (8)	320,657	332,893	370,073	413,333	358,205
Property	32,038	31,417	32,564	36,732	43,736
Motor vehicle and fuel (4)	1,565,525	1,583,790	1,643,276	1,800,920	1,826,893
Other (8)	550,430	535,435	574,030	559,440	529,629
Unrestricted investment earnings (9)	29,183	37,665	92,957	243,160	243,328
Unrestricted grants and contributions	16,468	13,213	12,440	13,574	11,711
Miscellaneous general revenues (5)	140,854	204,295	222,712	214,751	212,253
Gain (loss) on sale of trust land	(154,359)	64,005	(165,696)	196,953	451,501
Transfers	(734,892)	(809,864)	(983,006)	(994,435)	(876,456)
Total Governmental Activities	11,074,937	9,831,894	10,367,989	12,960,273	13,974,831
Business-type Activities:					
Sales taxes	52,913	52,318	58,528	72,945	79,223
Unrestricted investment earnings	68,401	70,766	22,450	39,763	103,362
Unrestricted grants and contributions (7)	-	-	-	-	-
Miscellaneous general revenues (6)	50,510	52,072	45,786	64,564	77,841
Contributions to permanent endowments	3,656	3,020	4,014	3,927	4,815
Special items	-	-	7,240	(20,100)	-
Extraordinary items	3,884	7,080	2,720	15,475	-
Transfers	734,892	809,864	983,006	994,435	876,456
Total Business-type Activities	914,256	995,120	1,123,744	1,171,009	1,141,697
Total Primary Government	$ 11,989,193	$ 10,827,014	$ 11,491,733	$ 14,131,282	$ 15,116,528
CHANGE IN NET ASSETS					
Governmental activities (7)	$ 977,217	$ 130,370	$ (2,312,301)	$ (435,877)	$ 1,676,389
Business-type activities	115,796	(311,779)	(366,256)	99,676	330,948
Total Primary Government	$ 1,093,013	$ (181,409)	$ (2,678,557)	$ (336,201)	$ 2,007,337

(1) This schedule reports using the accrual basis of accounting.

(2) For fiscal year 2006, net assets for governmental activities were increased by the capitalization of $302,375 of capital assets that were previously recorded as transportation expenses.

(3) The Industrial Commission Special Fund's cost of sales and benefits expense decreased $125,828 during fiscal year 2006, primarily due to a decrease in insolvent carrier liabilities. During fiscal years 2005 and 2004, insolvent carrier liability increased, primarily as the result of $67,423 and $107,600, respectively, in Arizona workers' compensation claims from the defunct California domiciled Fremont Companies.

(4) $31,804 of transportation's charges for services for fiscal year 2005 were classified as motor vehicle and fuel tax revenues.

(5) Beginning in fiscal year 2004, operating grants and contributions included Indian gaming revenue and tobacco settlement revenue. For fiscal year 2004, gaming revenue was $57,517 and this was the first year that gaming revenue was earned, as a result of Proposition 202. For fiscal year 2004, tobacco settlement revenue was $91,601. Prior to fiscal year 2004, tobacco settlement revenue was included in miscellaneous general revenues.

(6) Beginning in fiscal year 2005, settlement income for the Industrial Commission Special Fund is classified as a program revenue, charges for services. Prior to this, it was classified as a miscellaneous general revenue. In fiscal year 2005, settlement income was $41,554.

(7) In fiscal year 2002, private gifts not restricted for capital purposes of $83,100 for the Universities were classified as general revenues. In future fiscal years, these gifts are classified as program revenues.

(8) Prior to fiscal year 2004, tobacco tax revenue was included in other tax revenue.

(9) Fiscal year 2007 unrestricted investment earnings were reduced by $17,771 due to reclassifying the Greater Arizona Development Authority from the primary government to a component unit.

Fiscal Year					
2006, as restated	2005	2004, as restated	2003, as restated	2002, as restated
$ 6,322,311	$ 5,421,949	$ 5,016,585	$ 4,551,804	$ 4,450,691
4,548,843	3,562,916	2,800,461	2,371,005	2,442,320
248,122	237,430	223,804	-	-
43,035	46,148	50,455	37,470	49,611
1,857,293	1,758,950	1,613,952	1,563,876	1,493,259
575,946	493,501	539,218	632,896	544,514
172,311	106,362	24,227	77,914	116,614
12,293	11,624	8,502	7,222	8,518
235,610	387,269	281,109	319,873	186,917
567,364	288,483	319,517	137,563	137,565
(774,492)	(707,597)	(678,726)	(665,004)	(709,916)
13,808,636	11,607,035	10,199,104	9,034,619	8,720,093
54,550	57,584	50,050	43,450	41,367
49,050	40,311	38,753	32,527	29,327
-	5	-	3	83,108
58,816	26,017	46,615	26,985	12,447
3,803	2,955	2,231	3,037	2,723
(7,874)	-	(6,880)	-	-
-	-	-	-	-
774,492	707,597	678,726	665,004	709,916
932,837	834,469	809,495	771,006	878,888
$ 14,741,473	$ 12,441,504	$ 11,008,599	$ 9,805,625	$ 9,598,981
$ 2,871,740	$ 1,658,326	$ 679,900	$ (564,782)	$ (273,867)
237,720	13,443	(220,412)	(219,966)	14,567
$ 3,109,460	$ 1,671,769	$ 459,488	$ (784,748)	$ (259,300)

STATE OF ARIZONA
SCHEDULE 3
FUND BALANCES, GOVERNMENTAL FUNDS (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	Fiscal Year				
	2011	2010, as restated (2)	2009	2008	2007, as restated
GENERAL FUND:					
Reserved for:					
Budget stabilization fund	$ -	$ -	$ 2,767	$ 147,212	$ 673,531
School facilities improvements	-	14,764	376,993	1,914	4,931
Continuing appropriations	-	55,354	43,091	103,320	162,657
Other fund balance reservations	-	232	252	262	272
Unreserved	-	(817,348)	(1,401,381)	108,914	1,081,708
Nonspendable (2)	716	-	-	-	-
Restricted (2)	317,471	-	-	-	-
Committed (2)	141,183	-	-	-	-
Unassigned (2)	(1,162,531)	-	-	-	-
Total General Fund	$ (703,161)	$ (746,998)	$ (978,278)	$ 361,622	$ 1,923,099
ALL OTHER GOVERNMENTAL FUNDS:					
Reserved for:					
Highway construction	$ -	$ 809,497	$ 1,304,781	$ 1,253,202	$ 976,488
Other construction	-	45,403	108,129	238,985	5,288
School facilities improvements	-	-	-	-	-
Permanent funds	-	2,674,953	2,196,040	2,544,365	2,454,564
Continuing appropriations	-	116,350	212,553	143,785	94,602
Debt service	-	26,389	27,115	35,236	34,421
Other fund balance reservations	-	40,327	7,447	27,132	17,702
Unreserved, reported in:					
Special revenue funds	-	821,491	767,258	919,679	793,890
Capital projects funds	-	-	-	-	-
Nonspendable (2)	3,244,080	-	-	-	-
Restricted (2)	1,531,992	-	-	-	-
Committed (2)	452,447	-	-	-	-
Unassigned (2)	(39,009)	-	-	-	-
Total All Other Governmental Funds	$ 5,189,510	$ 4,534,410	$ 4,623,323	$ 5,162,384	$ 4,376,955

(1) This schedule reports using the modified accrual basis of accounting.
(2) Beginning in fiscal year 2011, the fund balance categories were reclassified as a result of implementing GASB Statement 54. Additionally, as a result of the reclassification, fund balance for fiscal year 2010 was restated.

Fiscal Year				
2006	2005	2004	2003	2002, as restated
$ 651,020	$ 160,873	$ 13,545	$ 13,737	$ 67,700
110,149	107,260	96,714	101,944	-
69,861	55,727	74,973	87,131	105,816
302	374	377	598	611
1,434,806	986,168	561,029	343,012	574,146
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
$ 2,266,138	$ 1,310,402	$ 746,638	$ 546,422	$ 748,273
$ 426,015	$ 419,072	$ 321,401	$ 342,324	$ 277,321
6,256	7,307	41,165	33,477	53,088
-	5,386	17,808	33,893	262,654
2,043,591	1,716,404	1,361,366	1,123,523	1,082,018
118,671	120,752	114,948	90,238	103,312
37,792	21,992	27,693	23,273	61,123
5,145	25,375	25,138	38,945	38,382
657,371	574,938	463,738	444,301	634,710
-	-	-	-	29,661
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
$ 3,294,841	$ 2,891,226	$ 2,373,257	$ 2,129,974	$ 2,542,269

STATE OF ARIZONA
SCHEDULE 4
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	Fiscal Year				
	2011	2010, as restated	2009	2008	2007, as restated
REVENUES					
Taxes:					
Sales	$ 5,971,141	$ 5,017,977	$ 5,429,453	$ 6,278,181	$ 6,527,968
Income	3,398,972	2,805,426	3,137,794	4,174,966	4,629,220
Tobacco (2)	320,657	332,893	370,073	413,333	358,205
Property	32,038	31,417	32,564	36,732	43,736
Motor vehicle and fuel	1,565,525	1,585,919	1,672,151	1,802,572	1,828,701
Other (2)	550,430	535,435	574,030	559,440	529,629
Intergovernmental	13,019,744	13,562,547	11,316,023	9,499,419	8,313,720
Licenses, fees, and permits	452,629	425,526	410,002	447,090	442,236
Earnings (loss) on investments (3,7)	438,068	422,564	(318,321)	135,879	510,253
Sales and charges for services (9)	186,325	203,725	154,671	167,329	158,318
Fines, forfeitures, and penalties	184,950	224,000	203,337	167,309	183,923
Gaming (4)	80,455	77,554	84,140	94,004	94,771
Tobacco settlement (5)	99,130	105,394	125,571	115,587	90,258
Proceeds from sale of trust land (8)	95,500	78,564	143,674	-	-
Other (5)	164,658	230,223	253,868	263,443	264,440
Total Revenues	26,560,222	25,639,164	23,589,030	24,155,284	23,975,378
EXPENDITURES					
Current:					
General government (9)	933,313	923,977	913,266	966,512	879,519
Health and welfare	12,818,468	13,054,472	11,959,640	10,874,581	9,679,226
Inspection and regulation	153,718	157,461	174,633	184,451	173,897
Education	5,467,695	5,702,963	6,031,605	6,240,862	5,983,513
Protection and safety	1,288,577	1,417,428	1,460,692	1,447,372	1,358,439
Transportation (6)	820,417	584,363	608,631	630,283	524,318
Natural resources	191,429	175,568	220,030	242,893	185,592
Intergovernmental revenue sharing	2,459,934	2,574,539	2,764,776	3,026,563	2,863,218
Debt service:					
Principal	383,591	288,172	235,971	261,228	220,473
Interest and other fiscal charges	357,754	286,027	238,430	210,856	195,317
Capital outlay (6)	824,417	1,291,341	1,295,530	1,106,951	992,000
Total Expenditures	25,699,313	26,456,311	25,903,204	25,192,552	23,055,512
Excess (Deficiency) of Revenues Over Expenditures	860,909	(817,147)	(2,314,174)	(1,037,268)	919,866

Fiscal Year				
2006	2005	2004	2003	2002, as restated
$ 6,313,090	$ 5,410,383	$ 4,985,424	$ 4,555,389	$ 4,424,528
4,535,492	3,528,565	2,818,778	2,387,369	2,410,342
248,122	237,430	223,804	-	-
43,035	46,148	50,455	37,470	49,611
1,857,293	1,758,950	1,613,952	1,563,876	1,493,259
575,946	493,501	539,218	632,896	543,055
8,019,509	7,714,012	7,159,976	6,141,218	5,182,770
410,069	335,760	349,938	320,564	330,041
247,250	190,499	131,715	111,771	136,761
162,048	154,251	161,170	111,438	157,912
138,354	121,123	120,032	96,192	98,791
84,794	67,658	57,517	-	-
86,231	93,933	92,550	-	-
-	-	-	-	-
269,411	430,097	313,220	337,930	324,433
22,990,644	20,582,310	18,617,749	16,296,113	15,151,503
861,373	758,149	718,229	689,603	511,167
8,995,430	8,419,913	7,733,516	6,652,661	5,788,774
157,401	146,523	136,189	139,863	133,584
5,302,942	4,852,099	4,702,609	4,882,516	4,188,501
1,247,508	1,132,473	1,028,134	925,667	892,986
373,603	564,574	717,463	463,756	401,372
178,832	175,593	153,533	163,946	140,600
2,661,894	2,335,828	2,144,438	2,159,691	2,190,211
261,277	381,512	327,595	297,508	270,912
176,933	200,731	188,247	140,613	125,594
1,066,815	710,688	695,289	1,041,038	1,127,411
21,284,008	19,678,083	18,545,242	17,556,862	15,771,112
1,706,636	904,227	72,507	(1,260,749)	(619,609)

(Continued)

STATE OF ARIZONA
SCHEDULE 4
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	Fiscal Year				
	2011	2010, as restated	2009	2008	2007, as restated
OTHER FINANCING SOURCES (USES)					
Transfers in	862,040	1,106,250	1,248,267	897,771	910,605
Transfers out	(1,574,406)	(1,872,212)	(2,168,964)	(1,874,084)	(1,784,833)
Proceeds from sale of trust land (8)	-	-	-	249,970	199,089
Proceeds from sale of capital assets	3,712	3,088	2,127	28,233	10,162
Capital lease and installment purchase contracts	4,583	187,836	4,056	23,556	132,985
Proceeds from notes and loans	11,113	32,628	23,139	19,529	-
Refunding bonds issued	-	-	-	82,880	-
Payment to refunded bond escrow agent	-	-	-	(86,547)	-
Bonds issued	180,000	425,420	621,050	563,950	325,000
Refunding grant anticipation notes issued	-	-	-	-	-
Grant anticipation notes issued	158,585	-	55,420	68,000	-
Refunding certificates of participation issued	-	-	-	-	-
Payment to refunded certificates of participation escrow agent	-	-	-	-	-
Certificates of participation issued	150,110	998,795	580,035	238,990	-
Premium on debt issued	42,291	77,709	70,083	48,972	26,201
Total Other Financing Sources (Uses)	(161,972)	959,514	435,213	261,220	(180,791)
NET CHANGE IN FUND BALANCES	$ 698,937	$ 142,367	$ (1,878,961)	$ (776,048)	$ 739,075
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	3.0%	2.3%	1.9%	2.0%	1.9%

(1) This schedule reports using the modified accrual basis of accounting.
(2) Prior to fiscal year 2004, tobacco tax revenue was included in other tax revenue.
Increase from fiscal year 2006 to fiscal year 2007 primarily due to Proposition 203, implemented December, 2006.
(3) Increase from fiscal year 2006 to fiscal year 2007 primarily due to increase in Land Endowment fair market value of investments, larger cash balances available to invest, and market interest rates.
(4) Beginning in fiscal year 2004, Indian gaming revenue was earned as a result of Proposition 202.
(5) Prior to fiscal year 2004, tobacco settlement revenue was included in other revenue.
(6) For fiscal year 2006, transportation expenditures were reduced and capital outlay was increased by $302,375 for addition of capital assets that were previously recorded as transportation expenditures.
(7) In fiscal year 2008, the Greater Arizona Development Authority Fund was reclassified from a special revenue fund to a component unit. Fiscal year 2007 earnings on investments has been restated to reflect this change.
(8) In fiscal year 2009, "Proceeds from sale of trust land" was moved from "Other financing sources (uses)" to "Revenues."
(9) In fiscal year 2010, amounts were restated as a result of implementing GASB Statement 54.

Fiscal Year					
2006	2005	2004	2003	2002, as restated
812,083	1,011,456	940,050	1,053,862	848,252
(1,585,754)	(1,714,562)	(1,616,105)	(1,690,443)	(1,549,833)
284,293	274,127	149,001	88,066	51,265
11,118	-	-	-	-
3,543	5,350	24,349	101,473	4,167
-	-	-	-	-
596,160	224,283	107,940	90,530	74,250
(646,689)	(247,417)	(145,965)	(107,735)	(77,135)
118,250	210,577	389,746	662,975	148,350
-	-	22,633	-	-
-	104,385	177,322	-	-
-	334,225	16,725	75,295	71,051
-	(363,052)	(17,273)	(80,713)	(65,087)
-	237,625	273,735	372,730	68,203
59,711	100,509	48,834	80,563	14,816
(347,285)	177,506	370,992	646,603	(411,701)
$ 1,359,351	$ 1,081,733	$ 443,499	$ (614,146)	$ (1,031,310)
2.2%	3.1%	2.9%	2.7%	2.7%

STATE OF ARIZONA
SCHEDULE 5
NET TAXABLE SALES BY CLASSIFICATION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	Fiscal Year					
	2011	2010	2009	2008	2007	2006
CLASSIFICATION (8)						
Transporting (2)	$ 41,555	$ 41,990	$ 37,920	$ 48,713	$ 43,351	$ 59,801
Mining, oil and gas	96,514	102,900	175,743	216,675	255,531	321,538
Mining severance	1,609,451	1,164,231	729,482	1,752,522	1,743,361	1,219,984
Timbering severance (3) (10)	-	-	-	-	-	-
Utilities	9,394,361	9,354,244	9,236,366	9,237,779	8,609,034	7,679,982
Communications	2,853,538	3,618,208	2,928,433	3,669,683	3,513,667	3,220,062
Private car and pipelines	1,908	1,640	7,743	16,021	19,679	25,751
Publishing	98,343	103,681	102,457	122,652	129,681	133,680
Job printing	266,564	236,985	307,581	391,038	397,802	403,686
Restaurants and bars	9,311,826	9,020,795	9,094,485	9,663,959	9,619,785	8,933,459
Amusements	994,092	1,051,919	1,053,048	1,146,344	1,086,364	998,767
Commercial lease (4)	2	141	1	(443)	(2)	(120)
Personal property rentals	3,056,386	3,127,828	3,552,696	3,995,697	3,927,824	3,633,374
Contracting	8,983,261	9,311,612	14,882,706	20,156,299	22,415,051	20,487,917
Feed wholesale (5)	-	-	-	-	-	-
Retail	45,898,838	42,913,933	46,174,068	52,626,993	55,009,403	53,147,971
Hotel/motel	2,039,283	1,949,718	2,117,242	2,405,705	2,411,634	2,268,776
Rental occupancy tax (10)	43	(62)	(25)	(2,669)	1,065	3,471
Use tax	4,610,921	5,464,504	5,882,942	6,837,880	6,091,507	6,155,959
Use tax-utilities (9)	10,040	(35,594)	38,653	12,461	12,154	16,582
Membership camping (10)	1	10	11	52	12	2,785
Agriculture equipment (6)	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	$ 89,266,927	$ 87,428,683	$ 96,321,552	$ 112,297,361	$ 115,286,903	$ 108,713,425
Direct sales tax rate (7)	6.60%	5.60%	5.60%	5.60%	5.60%	5.60%

(1) Net taxable sales are based upon tax receipts.

(2) The transporting/towing and railroads/aircraft business classifications have been combined into one category and renamed "transporting."

(3) Effective July 13, 1995, the tax rate on timber severance was changed to a dollar amount per 1,000 board feet. Timber severance includes only sales subject to the repealed rate.

(4) Commercial lease rate dropped to 0% effective July 1, 1997.

(5) Feed wholesale dropped to 0% effective July 17, 1994 and was repealed effective October 1, 1994.

(6) Agriculture equipment was phased out on July 1, 1988 and is not a current business classification.

(7) A significant portion of the revenue base was subject to a sales tax rate of 5.6% for fiscal years 2002 through 2010 and 6.6% for fiscal year 2011. For fiscal years 2002 thru 2011, the tax rate for non-metal mining, oil and gas was 3.125%, the mining severance was 2.5%, and the jet fuel and jet fuel use tax was $.0305 per gallon. The hotel/motel tax rate was 5.5% for fiscal years 2002 through 2010 and 6.5% for fiscal year 2011. Per the Arizona Constitution, Article 9, Section 22, the Legislature can raise tax rates with an affirmative vote of two-thirds of the members of each house. The 1.00% rate increase approved under Proposition 100 on May 18, 2010 increased the state transaction privilege and use rate beginning June 1, 2010 by one percentage point which is reflected in this table.

(8) The names of the ten largest revenue payers are not available. Therefore, the categories are intended to provide alternative information regarding the sources of the State's revenue.

(9) Use tax-utilities was not reported prior to fiscal year 2008. Fiscal years 2004-2008 were reported in fiscal year 2008. Information prior to 2004 is not available.

(10) Effective November 1, 2006, timbering severance, membership camping and rental occupancy were repealed.

Source: Arizona Department of Revenue Annual Reports for fiscal years 2011 and prior.

Fiscal Year			
2005	2004	2003	2002
$ 53,371	$ 67,486	$ 26,106	$ 96,356
317,202	287,787	268,073	208,310
656,631	261,623	45,049	(4,264)
-	-	-	766
6,828,179	6,430,306	5,940,826	5,919,273
2,934,858	2,809,508	2,869,499	2,945,681
14,832	15,920	12,493	7,134
134,925	128,911	133,229	82,843
367,010	348,924	427,730	351,142
7,939,964	7,202,034	6,655,028	6,428,712
872,520	813,489	782,670	743,800
919	(6,518)	(7,579)	36,913
3,242,363	3,174,945	3,319,778	3,607,519
16,044,847	13,156,490	11,563,726	11,820,597
-	(8)	(67)	(1,806)
46,378,344	42,409,055	39,408,769	38,432,860
2,063,973	1,831,153	1,698,499	1,659,761
2,414	4,202	1,428	5,968
5,218,535	4,644,319	3,793,691	3,240,460
234	127	-	-
2,897	2,998	2,406	2,741
-	-	-	2,107
-	119	-	-
$ 93,074,018	$ 83,582,870	$ 76,941,354	$ 75,586,873
5.60%	5.60%	5.60%	5.60%

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STATE OF ARIZONA
SCHEDULE 6
SALES TAX REVENUE PAYERS BY CLASSIFICATION
CURRENT YEAR AND NINE YEARS AGO
(Expressed in Thousands)

	Fiscal Year 2011		Fiscal Year 2002	
	Tax Collections	Percentage of Total	Tax Collections (6)	Percentage of Total
CLASSIFICATION				
Transporting (1)	$ 2,078	0.04 %	$ 2,878	0.07 %
Non-metal mining, oil and gas	3,016	0.06	6,510	0.15
Mining severance	40,236	0.81	(107)	-
Timbering severence	-	-	11	-
Timbering severance - ponderosa (2)	1	-	1	-
Timbering severance - other (2)	-	-	1	-
Utilities	469,718	9.48	295,964	7.00
Communications	142,631	2.88	147,284	3.48
Railroads and aircraft (1)	-	-	1,939	0.05
Private car and pipelines	95	-	357	0.01
Publishing	4,917	0.10	4,142	0.10
Printing	13,328	0.27	17,557	0.42
Restaurants and bars	465,596	9.40	321,436	7.60
Amusements	49,705	1.00	37,190	0.88
Commercial lease (3)	-	-	575	0.01
Personal property rentals	152,828	3.08	180,376	4.27
Contracting	449,166	9.06	591,030	13.98
Feed wholesale (4)	-	-	(8)	-
Retail	2,295,067	46.31	1,921,643	45.46
Hotel/motel	112,161	2.26	91,287	2.16
Rental occupancy tax (2)	1	-	179	-
Use tax utilities	502	0.01	-	-
Use tax	229,251	4.63	162,023	3.83
License fees	5,797	0.12	475	0.01
Membership camping (2)	-	-	137	-
Jet fuel tax	5,176	0.10	5,648	0.13
Jet fuel use tax	320	0.01	729	0.02
Non sufficient funds	-	-	37	-
Telecommunications service assistance	(175)	-	(280)	(0.01)
Agriculture equipment	-	-	21	-
Education tax (5)	514,346	10.38	439,005	10.38
Total	$ 4,955,761	100.00 %	$ 4,228,040	100.00 %

(1) Transporting/towing was combined with railroads/aircraft for confidentiality purposes beginning in fiscal year 2004.
(2) Effective November 1, 2006 these rates were repealed.
(3) Commercial lease rate dropped to 0% effective July 1, 1997.
(4) Feed wholesale dropped to 0% effective July 17, 1994 and was repealed effective October 1, 1994.
(5) The education tax is .6% of net taxable sales for most classifications. The ones that do not collect the education tax are nonmetal mining, oil and gas, mining and timbering severances, hotel/motel, rental occupancy, and jet fuel taxes. The Arizona Department of Revenue's annual report does not include the amount of education tax collected from each classification; rather it reports the total collected from all classifications. The education tax became effective June 1, 2001.
(6) Does not reflect the balance of undistributed estimated payments at the end of fiscal year 2002.

Source: Arizona Department of Revenue Annual Reports for fiscal years 2011 and 2002.

STATE OF ARIZONA
SCHEDULE 7
PERSONAL INCOME BY INDUSTRY (3)
FOR THE LAST TEN CALENDAR YEARS
(Expressed in Thousands)

	Calendar Year Ended December 31					
	2010	2009	2008	2007	2006	2005
CLASSIFICATION						
Farm earnings	$ 769,320	$ 506,832	$ 625,433	$ 818,856	$ 692,283	$ 966,562
Forestry and fishing	396,458	383,380	404,101	452,275	448,533	392,423
Mining	1,003,937	984,700	1,371,943	1,032,176	903,040	717,889
Utilities	1,559,557	1,587,854	1,573,527	1,422,489	1,330,098	1,181,096
Construction	8,694,088	9,382,822	13,183,196	14,710,324	15,438,164	13,453,380
Manufacturing	12,887,095	12,396,912	13,742,055	13,722,387	13,656,708	12,736,884
Wholesale trade	8,080,119	8,082,955	8,641,903	8,785,321	7,924,846	7,209,873
Retail trade	12,089,727	11,786,078	12,513,155	13,323,248	12,967,991	11,909,557
Transportation and warehousing	4,775,626	4,724,666	4,891,996	4,960,240	4,778,258	4,375,950
Information	2,871,278	2,950,885	3,178,541	3,079,614	3,144,112	2,977,675
Finance and insurance	9,767,580	9,566,706	9,965,450	10,606,023	10,547,147	9,680,158
Real estate, rental, and leasing	3,421,403	3,458,341	4,222,881	4,308,573	5,321,210	5,320,830
Professional and technical services	12,420,264	12,147,055	13,436,491	12,799,386	11,795,487	10,295,791
Managing companies/enterprises	2,312,562	2,431,888	2,427,651	2,438,767	2,016,086	1,694,602
Administrative and waste services	8,911,252	8,783,432	9,592,075	9,642,814	9,219,474	8,326,832
Educational services	2,527,742	2,289,606	2,083,348	1,842,200	1,711,762	1,572,715
Health care and social assistance	19,002,112	18,302,521	17,762,818	16,234,807	14,945,405	13,342,839
Arts, entertainment, and recreation	1,754,862	1,700,039	1,742,805	1,764,742	1,697,223	1,487,796
Accommodation and food services	5,883,157	5,530,879	5,925,466	6,150,529	5,507,255	5,162,857
Other services, except public	-	-	-	-	-	-
administration	5,385,651	5,312,097	5,440,844	5,806,999	5,237,758	4,761,529
Government and government	-	-	-	-	-	-
enterprises	28,337,301	28,477,301	28,138,532	26,626,290	24,771,576	23,099,159
Other (1)	68,764,091	64,610,618	65,567,469	58,059,491	52,903,982	47,486,042
Total	$ 221,615,182	$ 215,397,567	$ 226,431,680	$ 218,587,551	$ 206,958,398	$ 188,152,439
Average effective rate (2)	1.30%	1.12%	1.14%	1.56%	1.77%	1.94%

(1) Includes dividends, interest, rental income, personal current transfer receipts, adjustment for residence, and deductions for government social insurance.

(2) The total direct rate for personal income is not available. Average effective rate equals tax collections for the fiscal year, ending the following June 30, divided by personal income.

(3) Personal income estimates for years 2007 through 2009 were revised to reflect revisions made by the U.S. Bureau of Economic Analysis.

Source: U.S. Bureau of Economic Analysis and Arizona Department of Revenue Annual Report.

Calendar Year Ended December 31			
2004	2003	2002	2001
$ 1,005,583	$ 731,608	$ 763,907	$ 746,773
398,258	359,899	348,540	354,692
652,564	568,278	562,242	629,836
1,077,131	1,043,710	1,036,530	960,134
11,524,499	10,379,641	10,159,027	9,762,082
12,241,302	11,754,138	11,581,992	12,169,075
6,643,795	6,001,515	5,900,156	5,915,014
10,755,773	10,055,878	9,368,279	9,050,471
4,073,329	3,720,148	3,520,402	3,488,777
3,035,060	2,982,886	2,962,772	2,980,889
8,358,294	7,848,643	7,240,812	6,988,682
4,854,340	4,150,748	4,129,856	3,756,910
8,975,667	8,156,394	8,039,619	8,068,423
1,908,177	1,598,978	1,429,896	1,467,964
7,186,639	6,568,021	6,203,543	6,204,100
1,439,838	1,165,114	1,029,270	816,618
12,318,173	11,093,907	10,050,149	9,206,683
1,438,709	1,347,898	1,344,317	1,266,419
4,750,837	4,328,034	4,129,811	4,050,905
-	-	-	-
4,269,944	4,043,836	4,050,133	3,764,684
-	-	-	-
21,470,055	20,037,866	18,617,360	17,271,055
41,648,161	37,670,118	35,706,259	33,943,892
$ 170,026,128	$ 155,607,258	$ 148,174,872	$ 142,864,078
1.68%	1.49%	1.42%	1.46%

STATE OF ARIZONA
SCHEDULE 8
PERSONAL INCOME TAX RATES
FOR THE LAST TEN CALENDAR YEARS
(Expressed in Thousands)

	Calendar Year Ended December 31				
	2010	2009	2008	2007	2006
AVERAGE EFFECTIVE RATE (3)					
Personal Income Tax Revenue (1)	$ 2,870,765	$ 2,423,215	$ 2,575,453	$ 3,414,304	$ 3,666,923
Personal Income (2)	$ 221,615,182	$ 215,397,567	$ 226,431,680	$ 218,587,551	$ 206,958,398
Average Effective Rate (3)	1.30%	1.12%	1.14%	1.56%	1.77%
TAX RATES ON THE PORTION OF TAXABLE INCOME IN RANGES (4)					
$0 - $10	2.59%	2.59%	2.59%	2.59%	2.73%
$10 - $25	2.88%	2.88%	2.88%	2.88%	3.04%
$25 - $50	3.36%	3.36%	3.36%	3.36%	3.55%
$50 - $150	4.24%	4.24%	4.24%	4.24%	4.48%
$150 and over	4.54%	4.54%	4.54%	4.54%	4.79%

(1) Personal income tax revenue includes income tax collections and refunds, on a cash basis, for the fiscal year ending the following June 30.
(2) Personal income is reported on a calendar basis. Years 2007 through 2009 have been revised to reflect revisions made by the U.S. Bureau of Economic Analysis.
(3) The total direct rate for personal income is not available. Average effective rate equals tax collections for the fiscal year, ending the following June 30, divided by personal income.
(4) Amounts shown are for single and married filing separate returns. For all other filing status returns, double the amounts for the income tax ranges. Per the Arizona Constitution, Article 9, Section 22, the Legislature can raise tax rates with a vote of two-thirds of the members of each house.

Source: Arizona Department of Revenue Annual Reports/Tax Tables and the U.S. Bureau of Economic Analysis.

STATE OF ARIZONA
SCHEDULE 9
PERSONAL INCOME TAX FILERS AND LIABILITY BY INCOME LEVEL
FOR THE TAXABLE YEARS 2008 AND 2001 (1)
(Expressed in Thousands, Except Number of Filers)

	Taxable Year Ended December 31, 2008			
	Number of Filers	Percentage of Total	Liability (2)	Percentage of Total
FEDERAL ADJUSTED GROSS INCOME LEVEL (3)				
$50 and under	1,784,004	67.68%	$ 431,769	15.04%
$50 - $100	555,464	21.07%	676,130	23.55%
$100 - $500	284,255	10.78%	1,088,136	37.90%
$500 and over	12,395	0.47%	674,797	23.51%
Total	2,636,118	100.00%	$ 2,870,832	100.00%

(1) The taxable year 2008 is the most recent year for which data is available, and combines the number of filers of the Arizona Forms 140, 140A, 140NR (nonresident), and 140PY (part year resident) Individual Income tax returns.
(2) Liability, as reported on Arizona Forms 140, 140A, 140NR (nonresident), and 140PY (part year resident) Individual Income tax returns for tax year 2008, filed from January 2009 forward (or 2001, filed from January 2002 forward).
(3) The names of the ten largest revenue payers are not available. Therefore, the categories are intended to provide alternative information regarding the sources of the State's revenue.

Source: Arizona Department of Revenue Annual Reports.

Calendar Year Ended December 31				
2005	2004	2003	2002	2001
$ 3,651,576	$ 2,854,009	$ 2,316,040	$ 2,104,362	$ 2,090,646
$ 188,152,439	$ 170,026,128	$ 155,607,258	$ 148,174,872	$ 142,864,078
1.94%	1.68%	1.49%	1.42%	1.46%
2.87%	2.87%	2.87%	2.87%	2.87%
3.20%	3.20%	3.20%	3.20%	3.20%
3.74%	3.74%	3.74%	3.74%	3.74%
4.72%	4.72%	4.72%	4.72%	4.72%
5.04%	5.04%	5.04%	5.04%	5.04%

Taxable Year Ended December 31, 2001			
Number of Filers	Percentage of Total	Liability (2)	Percentage of Total
1,541,713	72.30%	$ 439,933	20.16%
426,055	19.98%	596,875	27.35%
157,215	7.37%	705,373	32.32%
7,430	0.35%	440,061	20.17%
2,132,413	100.00%	$ 2,182,242	100.00%

STATE OF ARIZONA
SCHEDULE 10
RATIOS OF OUTSTANDING DEBT BY TYPE
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands, Except Amount of Debt per Capita)

	Fiscal Year					
	2011	2010	2009	2008	2007	2006
GOVERNMENTAL ACTIVITIES:						
Revenue bonds	$ 3,529,115	$ 3,522,605	$ 3,251,580	$ 2,759,070	$ 2,328,840	$ 2,106,700
Grant anticipation notes	392,495	304,480	329,650	298,280	282,860	325,430
Certificates of participation	2,611,255	2,571,125	1,649,870	1,135,640	959,865	1,020,810
Capital leases	400,540	412,919	236,125	249,876	242,209	129,808
Installment purchase contracts	245	901	6,343	8,908	10,644	6,815
Notes payable	59,891	60,712	42,668	22,838	3,309	-
Premiums and discounts on debt	342,602	334,721	285,613	242,816	225,071	219,958
Deferred amount on refundings	(1,221)	(5,197)	(9,171)	(13,145)	(14,266)	(17,832)
Total Governmental Activities	7,334,922	7,202,266	5,792,678	4,704,283	4,038,532	3,791,689
BUSINESS-TYPE ACTIVITIES:						
Revenue bonds	1,742,125	1,692,825	1,239,675	902,255	868,565	802,600
Certificates of participation	812,706	840,719	872,829	903,843	935,127	946,766
Capital leases	167,841	171,448	175,453	179,052	166,780	113,388
Installment purchase contracts	10,511	13,043	16,418	13,024	9,544	10,279
Notes payable	292	360	674	1,022	1,354	-
Premiums and discounts on debt	41,393	39,705	43,112	38,211	39,582	38,331
Deferred amount on refundings	(20,875)	(23,100)	(25,294)	(27,711)	(29,211)	(21,606)
Total Business-type Activities	2,753,993	2,735,000	2,322,867	2,009,696	1,991,741	1,889,758
Total Primary Government	$ 10,088,915	$ 9,937,266	$ 8,115,545	$ 6,713,979	$ 6,030,273	$ 5,681,447
Debt as a Percentage of Personal Income (2)	4.6%	4.6%	3.6%	3.1%	2.9%	3.0%
Amount of Debt per Capita (2)	$ 1,573	$ 1,507	$ 1,249	$ 1,055	$ 974	$ 951

Note: Details regarding the State's outstanding debt can be found in the notes to the financial statements.

(1) The State of Arizona implemented GASB 34 in fiscal year 2002.
(2) See Schedule 22 for personal income and population data. These ratios are calculated using personal income and population data for the calendar year that ends during that fiscal year. For example, fiscal year 2011 contains data for the calendar year ending December 31, 2010.

Fiscal Year			
2005	2004	2003	2002, as restated (1)
$ 2,170,845	$ 2,278,225	$ 2,173,055	$ 1,782,510
363,970	308,585	169,145	182,295
1,054,677	845,804	582,511	231,904
126,676	125,974	104,644	8,517
6,926	4,602	6,188	10,228
-	562	10,301	38,859
197,479	144,759	108,732	32,700
-	-	-	-
3,920,573	3,708,511	3,154,576	2,287,013
768,000	756,781	597,238	596,403
860,759	641,315	429,144	422,010
120,361	80,338	31,923	37,758
7,276	5,038	3,823	3,832
30	80	129	-
36,133	28,184	21,686	20,794
(20,821)	(10,970)	(11,305)	(8,999)
1,771,738	1,500,766	1,072,638	1,071,798
$ 5,692,311	$ 5,209,277	$ 4,227,214	$ 3,358,811
3.3%	3.3%	2.9%	2.4%
$ 988	$ 932	$ 775	$ 633

STATE OF ARIZONA
SCHEDULE 11
LEGAL DEBT MARGIN INFORMATION
ARIZONA TRANSPORTATION BOARD HIGHWAY REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	Total Principal Outstanding Debt Limit (1)				Highest Annual Principal and Interest Payment Debt Limit (1)			
Fiscal Year	Debt Limit	Total Principal Applicable to Limit	Legal Debt Margin	Total Principal Applicable to the Limit as a Percentage of Debt Limit	(2) Debt Limit	Highest Annual Principal and Interest Payment	Legal Debt Margin	Highest Annual Principal and Interest Payment as a Percentage of Debt Limit
2011	$ -	$ -	$ -	- %	$ 168,058	$ 155,818	$ 12,240	92.72 %
2010	-	-	-	-	167,625	155,770	11,855	92.93
2009	-	-	-	-	169,728	155,774	13,954	91.78
2008	-	-	-	-	219,539	146,754	72,785	66.85
2007	-	-	-	-	317,570	137,149	180,421	43.19
2006	1,300,000	1,223,425	76,575	94.11	312,204	121,025	191,179	38.76
2005	1,300,000	1,161,355	138,645	89.34	230,882	115,633	115,249	50.08
2004	1,300,000	1,017,360	282,640	78.26	278,927	106,220	172,707	38.08
2003	1,300,000	932,700	367,300	71.75	270,270	99,923	170,347	36.97
2002	1,000,000	734,155	265,845	73.42	261,663	86,496	175,167	33.06

(1) As stated in House Bill 2206 of the Second Regular Session of the Forty-seventh Legislature, the $1.3 billion debt limit is eliminated from ARS §28-7510 and the amount that pledged monies are required to exceed the highest annual principal and interest payments is amended from two to three times. The general effective date of this change was September 21, 2006. Prior to September 21, 2006, Arizona Revised Statutes restricted the total principal amount of Arizona Highway Revenue Bonds that could be outstanding at any time, excluding refunded bonds, from exceeding $1.3 billion. Also, the monies subjected to pledge for the preceding twelve months must have exceeded, by two times, the highest annual principal and interest payments on all of the outstanding Arizona Highway Revenue Bonds for the highest one year period during the life of the outstanding bonds.

(2) The Highest Annual Principal and Interest Payment debt limit is calculated by dividing pledged revenues for the Arizona Transportation Board Highway Revenue Bonds (see Schedule 15) by three for Fiscal year 2011, 2010, 2009 and 2008 or by two for Fiscal years 2007 and prior. Fiscal year 2005 pledged revenues are net of a $118 million distribution to the State General Fund.

STATE OF ARIZONA
SCHEDULE 12
LEGAL DEBT MARGIN INFORMATION
ARIZONA STATE UNIVERSITY
FOR THE LAST SIX FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

Fiscal Year (2)	Projected Total Expenditures	Projected Debt Service Limit (8% of Expenditures) (3)	Amount of Projected Debt Service Applicable to Limit	Legal Debt Margin	Total Projected Debt Service as a Percentage of Debt Service Limit
2011	$ 1,606,250	$ 128,500	$ 77,100	$ 51,400	4.80 %
2010	1,894,737	151,579	108,000	43,579	5.70 %
2009	1,865,385	149,231	97,000	52,231	5.20 %
2008	2,017,544	161,404	115,000	46,404	5.70 %
2007	1,880,769	150,462	97,800	52,662	5.20 %
2006	1,724,528	137,962	91,400	46,562	5.30 %

(1) Ten years of data is not available, but will be accumulated over time.

(2) For fiscal years 2006, 2007, 2008, 2009, 2010, and 2011, projections are based upon the University's fiscal years 2008-2010, 2009-2011, 2010-2012, 2011-2013, 2012-2014, and 2013-2015 capital improvement plans, respectively.

(3) Per ARS §15-1683, the projected debt service on bonds and certificates of participation outstanding and proposed to be issued, as shown in the University's most recent capital improvement plan reported to the Arizona Board of Regents, may not exceed, in any fiscal year shown in such capital improvement plan, more than eight percent of the University's total projected expenditures and mandatory transfers.

STATE OF ARIZONA
SCHEDULE 13
LEGAL DEBT MARGIN INFORMATION
UNIVERSITY OF ARIZONA
FOR THE LAST FIVE FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

Fiscal Year (2)	Projected Total Expenditures	Projected Debt Service Limit (8% of Expenditures) (3)	Amount of Projected Debt Service Applicable to Limit	Legal Debt Margin	Total Projected Debt Service as a Percentage of Debt Service Limit
2011	$ 1,556,364	$ 124,509	$ 85,600	$ 38,909	5.50 %
2010	1,817,647	145,412	92,700	52,712	5.10
2009	1,681,818	134,545	92,500	42,045	5.50
2008	1,681,132	134,491	89,100	45,391	5.30
2007	1,657,971	132,638	114,400	18,238	6.90

(1) Ten years of data is not available, but will be accumulated over time.
(2) For fiscal years 2007, 2008, 2009, 2010, and 2011, projections are based upon the University's fiscal years 2009-2011, 2010-2012, 2011-2013, 2012-2014, and 2013-2015 capital improvement plans, respectively.
(3) Per ARS §15-1683, the projected debt service on bonds and certificates of participation outstanding and proposed to be issued, as shown in the University's most recent capital improvement plan reported to the Arizona Board of Regents, may not exceed, in any fiscal year shown in such capital improvement plan, more than eight percent of the University's total projected expenditures and mandatory transfers.

STATE OF ARIZONA
SCHEDULE 14
LEGAL DEBT MARGIN INFORMATION
NORTHERN ARIZONA UNIVERSITY
FOR THE LAST FIVE FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

Fiscal Year (2)	Projected Total Expenditures	Projected Debt Service Limit (8% of Expenditures) (3)	Amount of Projected Debt Service Applicable to Limit	Legal Debt Margin	Total Projected Debt Service as a Percentage of Debt Service Limit
2011	$ 405,109	$ 32,409	$ 22,200	$ 10,209	5.48 %
2010	423,601	33,888	28,000	5,888	6.61
2009	419,448	33,556	28,900	4,656	6.89
2008	430,360	34,429	27,500	6,929	6.39
2007	410,811	32,865	30,400	2,465	7.40

(1) Ten years of data is not available, but will be accumulated over time.
(2) For fiscal years 2007, 2008, 2009, 2010, and 2011, projections are based upon the University's fiscal years 2009-2011, 2010-2012, 2011-2013, 2012-2014, and 2013-2015 capital improvement plans, respectively.
(3) Per ARS §15-1683, the projected debt service on bonds and certificates of participation outstanding and proposed to be issued, as shown in the University's most recent capital improvement plan reported to the Arizona Board of Regents, may not exceed, in any fiscal year shown in such capital improvement plan, more than eight percent of the University's total projected expenditures and mandatory transfers.

STATE OF ARIZONA
SCHEDULE 15
PLEDGED-REVENUE COVERAGE
ARIZONA TRANSPORTATION BOARD HIGHWAY REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

Fiscal Year	(1), (2) Pledged Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2011	$ 504,175	$ 71,770	$ 83,960	$ 155,730	3.2
2010	502,874	68,140	87,661	155,801	3.2
2009	509,183	64,190	89,825	154,015	3.3
2008	658,616	60,645	75,538	136,183	4.8
2007	635,140	57,825	73,785	131,610	4.8
2006	624,408	54,830	62,222	117,052	5.3
2005	461,763	44,265	60,459	104,724	4.4
2004	557,854	51,155	53,149	104,304	5.3
2003	540,540	44,490	41,932	86,422	6.3
2002	523,326	45,365	38,534	83,899	6.2

(1) The Highway Revenue Bonds are secured by a prior lien on and pledge of motor vehicle and related fuel fees and taxes.

(2) Includes vehicle license tax revenues distributed directly to the State Highway Fund. Fiscal year 2005 is net of a $118 million distribution to the State General Fund. Fiscal year 2009 is net of $66 million, 2010 is net of $44 million, and 2011 is net of $45 million distribution to the State General Fund.

STATE OF ARIZONA
SCHEDULE 16
PLEDGED-REVENUE COVERAGE
ARIZONA TRANSPORTATION BOARD TRANSPORTATION EXCISE TAX REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2011	$ 206,545	$ 45,970	$ 42,496	$ 88,466	2.3
2010	199,672	33,315	38,225	71,540	2.8
2009	219,165	13,825	17,193	31,018	7.1
2008	253,742	19,045	10,673	29,718	8.5
2007	262,264	-	-	-	N/A
2006	316,491	80,375	1,566	81,941	3.9
2005	316,806	208,625	14,318	222,943	1.4
2004	288,600	199,400	23,553	222,953	1.3
2003	268,721	190,415	31,533	221,948	1.2
2002	267,563	163,455	35,445	198,900	1.3

(1) The Bonds are secured by transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County.

STATE OF ARIZONA
SCHEDULE 17
PLEDGED-REVENUE COVERAGE
SCHOOL FACILITIES BOARD STATE SCHOOL IMPROVEMENT REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	(2) Debt Service Principal	Interest	Total	Coverage
2011	$ 514,346	$ 39,215	$ 25,088	$ 64,303	8.00
2010	504,391	37,230	27,074	64,304	7.84
2009	558,900	35,420	28,885	64,305	8.69
2008	645,828	33,810	30,498	64,308	10.04
2007	666,184	31,055	31,893	62,948	10.58
2006	628,471	34,480	30,052	64,532	9.74
2005	538,346	28,485	36,060	64,545	8.34
2004	487,215	27,215	37,568	64,783	7.52
2003	447,841	25,010	36,901	61,911	7.23
2002	439,005	43,035	26,962	69,997	6.27

(1) Pledged revenues consist of education transaction privilege tax revenues. These revenues result from a .6% increase in the State transaction privilege and use tax rate that was approved by a statewide vote at the November 2000 election.

(2) Principal does not include sinking fund deposits of $1,270 each year, beginning in fiscal year 2003 and ending in fiscal year 2007, that will be sufficient to retire bonds with a par amount of $6,350 upon maturity, in fiscal year 2016. Additionally, principal does not include sinking fund deposits of $1,538 each year, beginning in fiscal year 2006 and ending in fiscal year 2018, that will be sufficient to retire bonds with a par amount of $20,000 upon maturity, in fiscal year 2018.

STATE OF ARIZONA
SCHEDULE 18
PLEDGED-REVENUE COVERAGE
SCHOOL FACILITIES BOARD STATE SCHOOL TRUST REVENUE BONDS
FOR THE LAST EIGHT FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

Fiscal Year	(2) Pledged Revenue	Debt Service Principal	Interest	Total	Coverage
2011	$ 50,582	$ 16,535	$ 7,714	$ 24,249	2.09
2010	38,147	15,710	8,539	24,249	1.57
2009	72,263	15,105	9,143	24,248	2.98
2008	72,263	14,470	8,400	22,870	3.16
2007	72,263	13,980	11,524	25,504	2.83
2006	72,263	13,440	12,061	25,501	2.83
2005	72,263	13,740	11,960	25,700	2.81
2004	64,903	-	8,634	8,634	7.52

(1) No debt service payments were due prior to fiscal year 2004.

(2) Pledged revenues consist of expendable revenue from the State School Trust. This revenue includes the State Treasurer's formula distribution of earnings on permanent fund investments as specified in the Arizona Constitution. Additionally, the State Land Commissioner distributes interest received from financed sales of trust lands and revenue received from land trust leases, except that, under current statutes, the amount of State School Trust Revenues available to pay debt service on all State School Trust Revenue Obligations shall not exceed $72,263. Expendable trust revenues in excess of $72,263 must be deposited in the Classroom Site Fund.

STATE OF ARIZONA
SCHEDULE 19
PLEDGED-REVENUE COVERAGE
ARIZONA STATE UNIVERSITY REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

Fiscal Year	(1), (2) Pledged Revenue	Debt Service			
		Principal	Interest	Net Payments (Receipts) On Swap Agreements	Total	Coverage
2011	$ 876,770	$ 28,595	$ 35,051	$ 3,791	$ 67,437	13.00
2010	782,727	26,975	33,003	3,716	63,694	12.29
2009	702,797	21,555	21,896	3,692	47,143	14.91
2008	638,707	19,135	16,682	2,448	38,265	16.69
2007	580,102	17,125	21,339	186	38,650	15.01
2006	505,890	14,625	17,313	-	31,938	15.84
2005	458,177	11,205	16,307	-	27,512	16.65
2004	383,756	1,340	16,260	-	17,600	21.80
2003	325,626	-	13,754	-	13,754	23.68
2002	297,691	9,695	9,575	-	19,270	15.45

(1) Pledged revenues include student tuition and fees, auxiliary enterprises revenue, investment income, and indirect cost recovery revenue.
(2) Pledged revenues prior to payment date of 2004 have been restated to include West and Polytechnic campuses.

STATE OF ARIZONA
SCHEDULE 20
PLEDGED-REVENUE COVERAGE
UNIVERSITY OF ARIZONA REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

Fiscal Year	(1), (2) Gross Revenues	(1) Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2011	$ 1,215,062	$ 1,056,408	$ 158,654	$ 24,720	$ 28,571	$ 53,291	2.98
2010	1,128,091	962,469	165,622	23,860	24,593	48,453	3.42
2009	1,044,354	911,440	132,914	22,725	15,437	38,162	3.48
2008	1,113,954	1,005,572	108,382	21,235	14,978	36,213	2.99
2007	982,559	899,084	83,475	17,440	14,166	31,606	2.64
2006	897,706	836,657	61,049	12,355	13,433	25,788	2.37
2005	830,077	774,014	56,063	11,815	11,817	23,632	2.37
2004	778,939	727,161	51,778	10,970	11,706	22,676	2.28
2003	726,258	667,627	58,631	12,625	12,156	24,781	2.37
2002	670,326	625,664	44,662	9,946	15,500	25,446	1.76

(1) Gross Revenues and Direct Operating Expenses include current operating unrestricted funds only since these are the funds that are pledged for debt service payments under the System Revenue Bond Indentures. Also excluded from expenses is interest, depreciation, and amortization. Fiscal year 2002 Gross Revenues and Direct Operating Expenses include accounting changes applied to scholarship and allowance due to implementation of GASB Statements 34 and 35.

(2) Payment of principal and interest on revenue bonds are secured by a pledge of student tuition and fees, auxiliary enterprise revenue, sales and service revenue, and other operating revenues, such as indirect cost recovery and certain investment income.

STATE OF ARIZONA
SCHEDULE 21
PLEDGED-REVENUE COVERAGE
NORTHERN ARIZONA UNIVERSITY REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

Fiscal Year	(1), (2) Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
2011	$ 220,538	$ 24,310	$ 14,712	$ 39,022	5.65
2010	198,197	6,545	10,912	17,457	11.35
2009	164,877	6,570	7,383	13,953	11.82
2008	143,733	10,455	6,628	17,083	8.41
2007	136,100	9,610	5,943	15,553	8.75
2006	129,608	10,310	6,603	16,913	7.66
2005	110,981	10,065	6,060	16,125	6.88
2004	103,192	10,294	5,778	16,072	6.42
2003	85,294	9,426	5,066	14,492	5.89
2002	82,839	6,932	3,949	10,881	7.61

(1) Payment of principal and interest on revenue bonds are secured by a pledge of student tuition and fees and certain auxiliary enterprise revenue, investment income and indirect cost recovery revenue.

(2) Fiscal year 2011 includes debt defeasance of $18.7 million.

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STATE OF ARIZONA
SCHEDULE 22
DEMOGRAPHIC AND ECONOMIC STATISTICS
FOR THE LAST TEN CALENDAR YEARS

Calendar Year Ended December 31	Population (1,3)	Personal Income (3) (in thousands)	Per Capita Personal (2) Income	Unemployment Rate (4)
2010	6,413,737	$ 221,615,182	$ 34,553	10.0
2009	6,595,778	215,397,567	32,657	9.7
2008	6,499,377	226,431,680	34,839	5.9
2007	6,362,241	218,587,551	34,357	3.8
2006	6,192,100	206,958,398	33,423	4.1
2005	5,974,834	188,152,439	31,491	4.7
2004	5,759,425	170,026,128	29,521	5.0
2003	5,591,206	155,607,258	27,831	5.7
2002	5,452,108	148,174,872	27,178	6.0
2001	5,304,417	142,864,078	26,933	4.7

(1) These are midyear population estimates of the U.S. Bureau of the Census.
(2) Per capita personal income is total personal income divided by total midyear population estimates of the U.S. Bureau of the Census.
(3) Population and personal income estimates were revised to reflect revisions made by the U.S. Bureau of Economic Analysis.
(4) Unemployment rates were revised to reflect revisions made by the Office of Employment and Population Statistics.

Sources: U.S. Bureau of Economic Analysis (for population, personal income, and per capita personal income figures).
U.S. Bureau of the Census (also for population).
Office of Employment and Population Statistics, formerly known as the Research Administration at the Arizona Department of Commerce (for unemployment rate).

STATE OF ARIZONA
SCHEDULE 23
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

	Calendar Year Ended December 31, 2010			Calendar Year Ended December 31, 2001		
Employer	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment
State of Arizona	49,282	1	1.55 %	49,973	1	1.94 %
Wal-Mart Stores Inc.	30,608	2	0.96	17,500	2	0.68
Banner Health	28,220	3	0.89	14,000	6	0.54
City of Phoenix	15,544	4	0.49	13,298	8	0.52
Wells Fargo	13,100	5	0.41	-	-	-
Apollo Group Inc.	13,000	6	0.41	-	-	-
Maricopa County	12,458	7	0.39	15,523	4	0.60
Arizona State University	12,221	8	0.38	-	-	-
Bank of America	12,000	9	0.38	-	-	-
Raytheon Missile Systems	12,000	10	0.38	-	-	-
Honeywell International	-		-	16,000	3	0.62
Motorola, Inc.	-		-	15,100	5	0.59
The Kroger Company	-		-	13,500	7	0.52
American Express	-		-	11,000	9	0.43
America West Holding	-		-	10,270	10	0.40
Total	198,433		6.24 %	176,164		6.84 %

Source: Arizona Department of Transportation CAFR 2011.

STATE OF ARIZONA
SCHEDULE 24
STATE EMPLOYEES BY FUNCTION (1)
FOR THE LAST EIGHT FISCAL YEARS (2)
FISCAL YEAR ENDED JUNE 30, 2011

	Fiscal Year					
	2011	2010	2009	2008	2007	2006
FULL-TIME EQUIVALENT EMPLOYEES						
General government:						
Lottery	104.0	104.0	110.0	110.0	110.0	110.0
Arizona State Retirement System	236.0	236.0	236.0	235.0	231.0	221.0
Department of Revenue	935.0	863.0	1,164.0	1,164.0	1,148.0	1,146.0
All other	2,646.5	2,746.5	2,989.2	2,999.2	2,957.5	2,898.6
Health and welfare:						
Department of Economic Security	3,726.0	4,201.0	4,201.0	4,099.2	3,874.4	3,953.7
Arizona Health Care Cost Containment System	1,423.0	1,484.0	1,635.8	1,629.0	1,617.3	1,583.5
Department of Health Services	1,513.3	1,538.6	1,699.1	1,702.1	1,680.4	1,735.5
All other	954.5	966.5	981.5	981.5	859.9	858.5
Inspection and regulation	1,807.7	1,820.7	1,943.1	1,930.1	1,853.7	1,827.3
Education:						
Universities	15,754.2	15,664.5	17,353.5	17,138.8	16,975.0	16,419.5
All other	896.0	972.4	1,003.4	1,001.4	969.0	913.8
Protection and safety:						
Department of Corrections	10,015.2	9,755.9	9,932.5	9,755.9	9,726.9	9,726.9
Department of Juvenile Corrections	1,001.7	1,050.7	1,163.7	1,163.7	1,195.7	1,160.5
Department of Public Safety	2,081.8	2,099.8	2,114.8	2,108.8	2,065.8	1,901.8
All other	117.9	118.4	134.9	133.9	125.4	127.4
Department of Transportation	4,548.0	4,548.0	4,748.0	4,744.0	4,703.5	4,649.0
Natural resources	937.2	956.7	1,009.7	1,007.7	967.3	926.9
Total	48,698.0	49,126.7	52,420.2	51,904.3	51,060.8	50,159.9

(1) Full-time equivalent employees are categorized by the function of government that their respective agency generally serves. Information is not available to distinguish between governmental, business-type, or fiduciary activities.

(2) Ten years of data is not available, but will be accumulated over time.

Source: The Executive Budget (Detail). Includes only those positions funded by appropriated funds approved in the Executive Budget.

Fiscal Year	
2005	2004
110.0	110.0
199.0	197.0
1,024.0	1,134.0
2,944.3	3,003.0
3,902.7	3,592.9
1,574.5	1,530.1
1,734.5	1,701.5
924.2	933.2
1,818.5	1,815.3
16,027.5	15,467.4
949.5	948.1
10,322.4	10,295.4
1,151.5	1,214.4
1,872.0	1,853.0
120.6	149.6
4,626.0	4,605.0
903.2	856.9
50,204.4	49,406.8

STATE OF ARIZONA
SCHEDULE 25
OPERATING INDICATORS BY FUNCTION
FOR THE LAST TEN FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2011

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
FUNCTIONS/PROGRAMS							
General government:							
Number of tax returns received (in millions)	5.4	5.2	5.7	5.6	5.5	5.5	6.0
Health and welfare:							
Arizona Health Care Cost Containment System membership (2)	1,392,810	1,392,420	1,282,910	1,136,585	1,075,125	1,065,444	1,075,873
Average monthly number of recipients of temporary assistance for needy families	N/A	82,127	83,969	80,221	82,408	93,553	105,517
Average monthly number of persons receiving food stamp benefits (11)	N/A	986,413	752,772	600,549	537,072	546,424	546,369
Inspection and regulation:							
Nonfatal occupational injuries and illnesses:							
Total recordable cases (in thousands) (3)	66.4	75.2	84.0	101.8	99.4	97.0	87.1
Incident rate per 100 full-time workers (3)	3.5	3.7	3.9	4.6	4.6	4.9	4.7
Education:							
Public school enrollment, grades K-12 (4)	1,062,200	1,068,987	1,062,618	1,132,963	1,106,207	1,084,247	1,043,704
Protection and safety:							
Number of miles patrolled by the Highway Patrol	19,953,766	21,275,292	21,987,920	21,881,034	20,282,212	19,703,282	19,922,704
State prison adult inmate population (5)	40,181	40,477	39,628	38,897	37,088	34,864	32,710
Transportation:							
Number of registered vehicles (6)	6,839,659	6,740,536	6,692,834	6,733,610	6,608,726	6,318,402	5,945,131
Number of driver licenses issued (7)	1,196,675	1,241,977	1,246,358	1,200,227	1,266,973	1,205,068	1,158,223
Natural resources:							
Game and Fish Department's license and tag sales (8)	N/A	874,442	874,363	896,143	940,223	897,159	808,055
Universities:							
University full-time equivalent students (9)	129,653	122,734	118,743	113,092	110,580	107,765	104,685
Unemployment compensation:							
Number of initial unemployment claims filed	311,472	363,189	396,755	226,772	185,397	161,869	200,282
Industrial Commission special fund:							
No-insurance awards issued	882	1,781	2,244	2,748	3,265	2,744	3,281
Number of vocational rehabilitation awards issued	132	128	103	118	133	124	102
Lottery:							
Total lottery sales (in millions)	$ 583.5	$ 551.5	$ 484.5	$ 472.9	$ 462.2	$ 468.7	$ 397.6
Other business-type activities:							
Arizona Health Care Cost Containment System's Healthcare Group membership (10)	8,260	10,760	14,560	21,646	26,914	21,600	14,626

N/A = Not available

(1) Ten years of data may not be available for some statistics, but will be accumulated over time. Also, some figures may represent time periods other than a fiscal year (such as an academic or calendar year), as indicated in the notes below.

(2) Approximate number of members enrolled as of June 1. Excludes membership in the Healthcare Group, which is listed separately as other business-type activities, beginning in fiscal year 2002.

(3) Numbers represent total recordable cases and incident rates for the calendar year ended December 31. The fiscal years above contain data for the calendar year that ends during that fiscal year. For example, fiscal year 2011 contains data for the calendar year ending December 31, 2010. One hundred full-time workers represent 200,000 hours worked (100 times 40 hours per week times 50 weeks per year).

(4) These enrollment counts represent a head count of all active enrollments on October 1st of each school year. The fiscal years above contain data for the academic year that occurs during that fiscal year. For example, fiscal year 2011 contains data from the October 1, 2010 enrollment figures. Starting with the 2008-09 school year, due to federal requirements, new business rules were used to calculate enrollment, so that counts are unduplicated. Prior to this, the counts are not unduplicated counts; concurrently enrolled students are counted as having an active membership in each school. Also, there was a change in data collection in 2003. From 2003 to 2008, concurrent enrollments in technology schools are included, which may additionally overstate aggregated enrollment figures.

(5) Beginning in 2007, the state prison inmate population on the 2 Year Prison Population Trend Report excludes the inmate count from the county jail. For fiscal years 2006 and prior, the number includes both the county jail and the outside count of inmates.

(6) Count represents the total number of vehicles registered as of the end of the fiscal year. Starting with fiscal year 2002, a new category for "unassigned vehicles" was added to more fully reflect the total count of all registered vehicles.

(7) Count represents the number of driver licenses issued during that fiscal year, beginning July 1 and ending June 30.

(8) Numbers represent sales for licenses, stamps, and tags for the calendar year ended December 31. The fiscal years above contain data for the calendar year that ends during that fiscal year. For example, fiscal year 2011 contains data for the calendar year ending December 31, 2010.

(9) Enrollment figures represent the number of full-time equivalent students for the fall semester. The fiscal years above contain data for the fall semester that occurs during that fiscal year. For example, fiscal year 2011 contains data for the fall 2010 semester. These figures are generated by calculating one full-time equivalent student for each 15 student credit hours produced in lower-division undergraduate courses, each 12 student credit hours produced in upper-division undergraduate courses, and each 10 student credit hours produced in graduate courses.

(10) Approximate number of members enrolled as of June 1.

(11) Fiscal year 2009 number was revised to reflect the Department's 2010 annual report.

Sources: The State Departments of Transportation, Public Safety, Corrections, Education, Game and Fish, Economic Security, Revenue, the Industrial Commission of Arizona, Arizona Lottery, Arizona Health Care Cost Containment System, Arizona Board of Regents, and the U.S. Department of Labor.

Fiscal Year		
2004	2003	2002
6.0	5.3	6
971,292	955,600	791,000
122,577	121,193	109,547
521,992	442,320	355,722
85.7	95.9	113.1
4.8	5.1	5.9
1,002,630	970,283	915,656
19,229,079	18,363,977	18,160,134
31,937	30,898	29,273
5,638,799	5,311,590	5,118,115
1,122,893	1,039,780	1,072,245
835,669	865,634	898,453
102,461	100,258	96,603
227,585	255,579	255,303
3,300	2,954	3,986
139	150	121
$ 366.6	$ 322.3	$ 294.8
11,218	11,400	12,100

STATE OF ARIZONA
SCHEDULE 26
CAPITAL ASSET STATISTICS BY FUNCTION
FOR THE LAST TEN FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2011

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
FUNCTIONS/PROGRAMS							
Protection and safety:							
Number of adult prison facilities (3)	10	10	10	10	10	10	10
Transportation:							
Public road mileage (center lane miles) (2)	6,722	6,789	6,753	6,785	6,817	6,922	6,816
Number of bridges (2)	4,741	4,700	4,648	4,637	4,648	4,676	4,608
Natural resources:							
State Trust acres	9,252,495	9,258,071	9,259,296	9,260,253	9,262,781	9,267,377	9,269,723
Universities:							
Number of facilities (4)	1,740	1,737	1,670	1,669	1,663	1,002	N/A
Gross square feet (in thousands) (4)	37,967	37,589	37,186	36,000	34,946	20,154	N/A

N/A = Not available

Note: No capital asset indicators are available for the general government, health and welfare, inspection and regulation, education, unemployment compensation, Industrial Commission special fund, Lottery, and other business-type activity functions.

(1) Ten years of data may not be available for some statistics, but will be accumulated over time. Also, some figures may represent time periods other than a fiscal year (such as a calendar year), as indicated in the notes below.
(2) These are the number of center lane miles and bridges that the Arizona Department of Transportation accounts for under the modified approach, which is discussed in the Required Supplementary Information portion of this report.
(3) The Arizona Department of Corrections also contracts with private prison facilities to provide custody and treatment.
(4) In addition to academic/support facilities, auxiliary enterprise facilities are also reported. These would include essentially self-supporting entities, such as residence halls and parking structures.

Sources: The State Departments of Transportation, Land, and Corrections and the Universities.

Fiscal Year		
2004	2003	2002
10	10	10
6,912	6,801	6,650
4,488	4,463	4,378
9,271,580	9,279,243	9,266,158
N/A	N/A	N/A
N/A	N/A	N/A

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Gary Kern
Neil Broadstock, MBA, CPA, CGFM
Somer Phegley, MA

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